FINANCIAL TIMES

World Business Newspaper http://www.FT.com MONDAY FEBRUARY 24 1997

Start the week with...

Hong Kong

Red chips are red hot

John Ridding, Page 15

Hollywood

'Show me the money'

Christopher Parkes, Page 11

FT guide

The business of sport

Patrick Harverson, Page 6

Gazprom chiefs fend off foreign investment move

Regent Gaz, part of Hong Kong-based investment group Regent Pacific, has abandoned its plan to invest in domestic shares in Russia's Gazprom after fierce pressure from the management of the large gas company. Regent Gaz was set up to take advantage of the huge price difference between domestic Gazprom stock and the American Depositary Receipts issued for foreign investors, but Gazprom last week branded the venture a "threat to national security". Page 16

PM hires top lawyer: Israeli prime minister Benjamin Netanyahu, who has been questioned by police about an alleged influence-trading scandal, has hired Yaacov Weinrot, one of the country's top criminal lawyers, to represent him. Page 3

Germans 'want Emu delay': Seventy-seven per cent of Germans want Europe's planned economic and monetary union to be postponed from its intended 1999 start date, according to a poll for today's edition of the weekly magazine Der Spiegel. It found only 18 per cent favoured introducing the single currency on time. **Threat of Emu delay, Page 2; Investors switch bond holdings, Page 16; Lex, Page 16; Austria's parallel route, Page 27**

US fund fights Disney pay-off: The biggest private pension organisation in the US is opposing a lavish compensation package that could bring Walt Disney chairman Michael Eisner more than $200m. The College Retirement Equities Fund, which holds 1 per cent of Disney shares, has already voted against the pay-off ahead of tomorrow's annual meeting. **Page 17**

Spain asked about Nazi gold: US senator Alfonse D'Amato is asking Spain to account for $137m of stolen Nazi gold apparently transferred there from Switzerland during the second world war. The information was revealed in a recently declassified 1946 State Department document, Senator D'Amato said.

Fire sweeps Indian conference: About 200 people were killed and many injured when fire swept through temporary shelters at a Hindu religious conference in the east Indian state of Orissa. Thatched huts erected for the event caught light and strong winds fanned the fire.

Seoul opposition protests: South Korea's main opposition party attacked state prosecutors for trying to cover up a scandal by clearing Kim Hyun-chul, President Kim Young-sam's son, of wrongdoing over $5.8bn of loans to the failed Hanbo Steel company. **Page 4**

Scores saved from Thai blaze: Helicopters flew through thick smoke and strong winds to snatch 93 people from the top floor of a burning 36-storey building under construction in central Bangkok. At least three died.

Bomb attempt foiled: British forces said they foiled a suspected IRA bomb attack probably intended to hit a security base in Northern Ireland near the border with the Irish Republic.

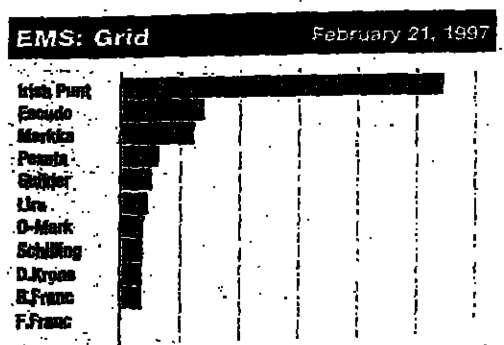
Ex-mayor's wife held: French police detained the American ex-wife of former Nice mayor Jacques Medecin when she flew into Nice for a holiday. An investigating magistrate wants to question Ilene Joy Graham about tax arrears allegedly owed by Medecin, who has lived in exile in Uruguay since serving a prison sentence in France for corruption.

King heads home: Exiled Romanian King Michael, his citizenship restored by the country's new centrist government, plans to visit his homeland this week for the first time for five years. He was forced into exile in 1947.

Klimt hooked: Thieves in Piacenza, Italy, have stolen a painting by Austrian artist Gustav Klimt, by using a fishing line to hook the portrait off a gallery wall.

European monetary system: The Irish punt remained the strongest currency in the ERM-grid with a spread of 10.9 per cent against the French franc, the weakest currency in the system. The Italian lira slipped from fourth place to sixth despite an end-of-week rally. It suffered in frenzied speculation about Italy's ability to meet the Maastricht criteria. **Currencies, Page 25**

EMS: Grid February 21, 1997



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

Tokyo to end forex controls

First step in capital market deregulation

By William Dawkins in Tokyo

The Japanese cabinet is to adopt a plan in the next few weeks to abolish most remaining exchange controls.

From April 1998, organisations which want to buy and sell foreign exchange freely will no longer need to obtain a ministry licence, according to the plan.

The removal of exchange controls will be the first step in the government's ambitious plan to deregulate the Tokyo capital markets by 2001, and the first substantial amendment of Japan's outdated foreign exchange law for 17 years.

The scheme would encourage the main licence-holders – commercial banks and the largest domestic and foreign stockbrokers – to diversify, by opening up the officially regulated foreign exchange cartel they run. It would also make it easier for private Japanese savers to invest abroad, when domestic interest rates and stock market returns are low.

The aim is to put Tokyo's foreign exchange regime on the same footing as the most liberalised countries, such as the US and the UK, according to a report by a finance ministry committee, on which the plan is based. The ministry has almost completed a draft amendment to the foreign exchange law for agreement by parliament in the first half of this year.

Under the amendment, those without foreign exchange licences – such as manufacturing exporters – would no longer have to get permission from the finance ministry to transact foreign currency. It would scrap an existing Y2m ($16,000) ceiling on the amount individuals are allowed to invest outside Japan without seeking ministry permission.

Large corporate deals and deposits which breached a ceiling, yet to be fixed, would have to be reported later, to allow the ministry to collect data for balance of payments statistics and to keep an eye on potential money laundering.

Under the current rules, advance permission is required for big deals and deposits, but in future, prior authorisation would be needed only for direct investments and transactions with countries subject to economic sanctions.

Current government controls on the amount of foreign exchange that banks are permitted to hold would be abandoned and Bank for International Settlements' standards would be used instead.

In a break with a tradition of government control, the ministry report says: "Those who engage in foreign exchange business are expected to act as sound market participants, acting on their own responsibility under the effective checking mechanism of the market."

The report on which the proposal is based was drawn up by a joint ministry and private sector task force. It was launched last September, two months before Mr Ryutaro Hashimoto, the prime minister, announced his plan to make the Tokyo financial markets as competitive as London and New York.

Mr Hashimoto's "big bang" plan gave foreign exchange deregulation political impetus. The announcement encouraged the ministry to change from the option of merely liberalising foreign currency licences to the abandonment of the principle of licences.

Tokyo lights fuse, Page 4

Yeltsin raises prospect of deal on Nato

By Chrystia Freeland in Moscow

Russian president Boris Yeltsin yesterday said he expected to forge "a compromise" on the question of Nato expansion at a meeting with US president Bill Clinton next month.

He reaffirmed Moscow's opposition to Nato enlargement, but appeared to accept that Russia had no hope of preventing expansion and must instead focus on timing and conditions.

"Our task now is to stall it as long as possible and not allow the renewal of confrontation," he said in Moscow, at his first appearance in front of the Russian public since developing pneumonia in January.

"We have agreed to look for a compromise and I think we will find this compromise at the summit we are holding with President Clinton on March 20-21 in Helsinki."

Some eastern European states are expected to be invited to join the Nato military alliance this year.

That prospect has emerged as one of the dominant, and most bruising, issues in Russian politics.

Russia's ability to offer a coherent response to Nato's enlargement plans has appeared compromised by the ailing president's prolonged absence from the public stage.

But Mr Yeltsin yesterday seemed ready to take back the reins of state and lead Russia's Nato policy.

The president, who was attending a wreath-laying ceremony at the Tomb of the Unknown Soldier, looked healthier than he has in recent television appearances.

One Kremlin insider said Nato was Mr Yeltsin's top priority and that even when he was too ill to follow other issues in person he had been reading and commenting on all his Nato briefing materials.

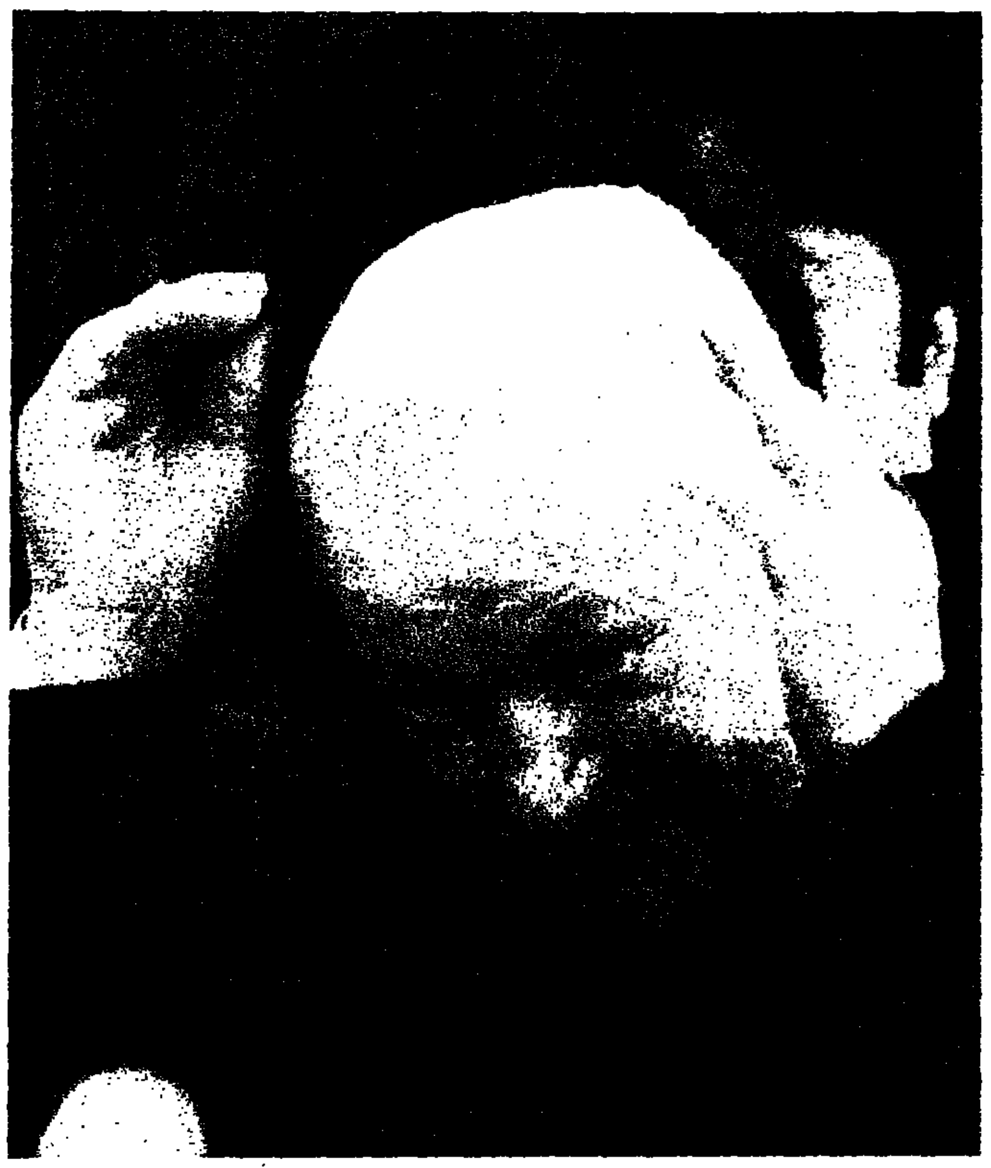
As Mr Yeltsin was making his public appearance, Mr Yevgeny Primakov, the foreign minister, pursued the Nato issue in Brussels, where he held a private meeting with Mr Javier Solana, the secretary-general of the alliance.

The two men were expected to discuss ways of extending the relationship between Nato and Russia and of mitigating Moscow's opposition to expansion.

The biggest sticking point is Russia's insistence on a legally binding treaty between Nato and Moscow, a step Washington is loath to take.

The president could face

Continued on Page 16
Chirac backs Romania, Page 2



Russian president Boris Yeltsin after laying a wreath yesterday at the Tomb of the Unknown Soldier in Moscow to mark the Day of the Defender of the Fatherland

Picture: AP

Row over role threatens three-nation frigate project

By Bernard Gray, Defence Correspondent

A row among the British, French and Italian governments over ship design and capability threatens to undermine an $11bn joint programme to build Navy frigates.

If the dispute is not resolved by the end of March,the three countries may have to revert to expensive national designs for the frigates, which are intended to protect shipping from missile or aircraft attack.

Britain wants the so-called Horizon programme to produce a sophisticated frigate capable of defending a wide area of sea from a variety of threats. Such an "area defence" ship would be able to protect a convoy of merchant vessels or warships spread over a wide area, without the need for an aircraft carrier to support it.

France, which wants its ships as escorts for its new nuclear aircraft carrier, the Charles de Gaulle, initially backed this British view – but now wants a simpler "point defence" ship mainly to protect its carrier. This follows a 30 per cent cut in the cost of French military equipment programmes by Mr Jean-Yves Helmer, the new defence procurement chief.

Italy supports France on the simpler, cheaper frigate.

Britain is arguing that the savings France wants could be made if more of the programme were opened to competitive bids, rather than allocated to preferred suppliers, as France and Italy want.

Because both France and Britain need the ships by 2004, a decision must be made soon. Officials have set an unofficial deadline of the end of March, and a round of intense negotiation is under way. Without agreement, each nation will face duplication in design and development effort, and increasing costs.

Government funding for development of the ship and its main missile system has dried up as the dispute continues, but industry is carrying on with the programme in the hope the issue can be resolved. Although Britain joined the programme after Italy and France had started, it has strong influence because it wants 12 ships to replace its Type 42 destroyers, against six for Italy and four for France.

Industry is becoming increasingly concerned. A prime contractor shipyard has been appointed in each of the three nations to handle the programme, and each has teams working on the project.

GEC-Marconi and its Yarrow shipyard on the Clyde are taking the lead in the UK, with British Aerospace and Vosper Thornycroft of Southampton also involved; DCN, the state-owned naval yard, is the prime contractor in France, with Orrizonte the lead Italian yard.

If the difficulties are not resolved and the programme is cancelled, industry will have to seek compensation for the unfunded work.

Horizon heads for rough water, Page 3; Editorial Comment, Page 15

Shell faces UK first in investors' resolution on ethics

By William Lewis, Investment Correspondent

Shell Transport & Trading, the UK arm of the Anglo-Dutch oil group, is facing a potentially embarrassing battle with some institutional shareholders over a resolution they have put down for the annual meeting in May.

A group of shareholders holding just under 1 per cent of the company is calling on it to improve accountability by establishing new procedures for dealing with environmental and human rights issues.

Pirc, the corporate governance consultant advising the shareholders, says the Shell resolution is the first of its kind in the UK. In the US, public companies regularly face resolutions from shareholders about environmental and social concerns.

The Shell shareholder group includes 18 public and private pension funds, five religious institutions, an academic fund, and individuals from a pressure group called the Ecumenical Committee on Corporate Responsibility.

They say Shell's reputation has been damaged by controversies such as the aborted plan to sink the Brent Spar oil storage rig at sea and its environmental and human rights record in Nigeria.

Their statement supporting the resolution says: "Shareholders have a responsibility as owners to ensure that companies have structures and policies in place to enable them to operate to the highest standards, and that companies should disclose to shareholders progress made in achieving improvements in performance. We believe that this resolution will help Shell accomplish these goals."

In particular, the group wants a named member of Shell's committee of managing directors to take charge of environmental and corporate responsibility policies.

It also wants Shell to agree to an external audit of these policies, and to publish a

Continued on Page 16

CONTENTS

9 770174 736111 09

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

Plan to protect Deutsche Telekom revealed

By Nicholas Denton in London and Ralph Atkins in Bonn

German government ministers, while proclaiming their commitment to an open telecommunications market, last year considered measures to protect Deutsche Telekom, the national operator, from foreign competition.

In a letter obtained by the Financial Times, Mr Theo Waigel, the German finance minister, argued that liberalisation would erode the revenues and value of the German carrier, which was then preparing for privatisation.

Although Mr Waigel failed in at least two of his three demands, his call casts light on current proposals for a new regulatory regime, which smaller carriers say would practically exclude them from the German market.

In the letter – sent in January 1996 to Mr Wolfgang Bötsch, the post and telecoms minister – Mr Waigel warned that liberalisation would "considerably reduce" the state's proceeds from Deutsche Telekom.

Mr Waigel, reminding his colleague that the government was committed to covering shortfalls in the pension funds of the post and telecoms companies, apologised that "I have to make these demands."

The finance minister called for a flexible system of price regulation that would have favoured Deutsche Telekom, which the cabinet blocked. But Mr Waigel appears to have been more successful in arguing for restrictions on international operators.

Mr Waigel said in the letter that international traffic would migrate to foreign carriers if the government granted licences to all comers.

"The result would be a considerable reduction in Deutsche Telekom's turnover," he wrote.

Estimating a potential loss of DM2.4bn ($1.42bn) in the value of Deutsche Telekom, the finance minister proposed that international carriers be required to acquire national licences even if they were intending only to operate in big business centres such as Frankfurt.

The post and telecommunications ministry said Mr Waigel's contribution had led to "no material changes" in the telecoms law passed last year to clear the way for the $13bn privatisation of Deutsche Telekom in December.

But international resellers – US companies such as Viatel which lease capacity in bulk and undercut incumbents in providing telecoms services to companies – claim current German proposals potentially bar their entry.

The post and telecommunications ministry said an international operator wishing to serve Frankfurt's financial centre, for instance, could act as a "city carrier" rather than seek a costly national licence.

But Rakinsons, a law firm representing several international resellers, said the authorities proposed to charge a fee for every customer, real or potential.

"It would be prohibitive for international resellers. Nobody could pay that kind of money," it said.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg. ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maravigilia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Threat of Emu delay haunts EU

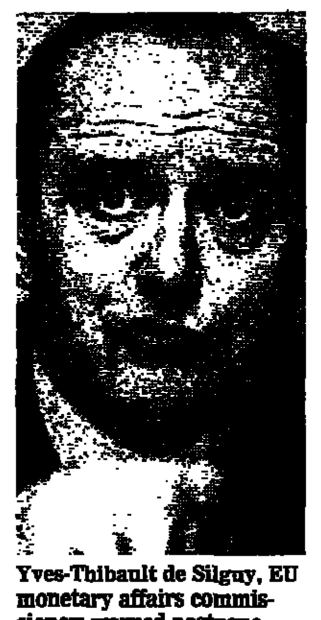
By Lionel Barber in Brussels

The European Union is entering a critical period which will determine the fate of plans to simultaneously "deepen" integration through monetary union and "widen" through enlargement to central and eastern Europe, according to EU officials and diplomats.

Despite official insistence that the Emu timetable remains on track, the threat of delay is in the air as a result of slower than expected growth and political uncertainty over which countries are economically strong enough to cope with a single currency.

EU leaders are heading toward a choice of whether to "stop the clock" for a short period to allow a substantial majority of countries to meet the public deficit targets, or press ahead regardless because Emu has become a political cause which is too important to fail.

In an effort to head off talk of a postponement, the pro-Emu camp has increasingly started to link the scheduled launch of the single currency project on January 1 1999 to plans to open accession negotiations with central and eastern European countries in early 1998.



Yves-Thibault de Silguy, EU monetary affairs commissioner: warned postponement would cause 'turmoil' in the enlargement talks

Mr Yves-Thibault de Silguy, EU monetary affairs commissioner, warned recently that postponement would cause "turmoil" in the enlargement negotiations – a view shared inside the French government and other countries committed to being in Emu's first wave.

The single currency timetable and the selection process has also been the subject of intensive diplomacy centred around Germany, where Chancellor Helmut Kohl has received visits from the Spanish and Italian prime ministers.

A consensus is emerging that the list of countries qualifying for Emu and the terms of entry for latecomers should be clear at the latest by September 1997, rather than leaving all questions open until spring 1998.

An early understanding on Emu would avoid a clash with the French parliamentary elections in March 1998; it could also be based on an assessment of countries' performances in 1997 and budget projections for 1998.

But an early decision in principle could upset the German finance ministry which is pressing to wait until the actual figures on inflation, deficits and debt for 1997 are available in early 1998.

The EU's packed political calendar is also being pressured by the slow pace of negotiations in the EU's inter-governmental conference – still struggling to meet the deadline for wrapping up a revised treaty at the EU summit in Amsterdam in mid-June.

Frustrated negotiators say

The EU's packed political calendar is also under pressure from the slow pace of IGC talks

the IGC remains hostage to the British general election, which must be held by May 1.

"Other countries are hiding behind the British government," said one EU ambassador. "They are refusing to reveal their hand so we can make progress."

British opposition to further political integration, including more majority voting, is a serious obstacle; but so is rivalry between small and larger states over their respective voting powers and the right to appoint a commissioner in an enlarged Union of 20-plus members.

Mr Jacques Santer, president of the European Commission, has raised the threat of an IGC delay with Mr Jean-Claude Juncker, prime minister of Luxembourg, which takes over the rotating EU presidency from the Netherlands on July 1. They agreed to pencil in late July and mid-October as possible dates for EU summits to wrap up the IGC.

The Commission is anxious to publish in mid-July its long-awaited opinions on the merits of the 10 applicant countries from central and eastern Europe: the Czech Republic, Poland, Hungary, Slovenia, the Baltic states, Slovakia, Bulgaria and Romania.

The Commission will unveil its policy recommendations on enlargement under the code-name Agenda 2000.

These include reform of the Common Agricultural Policy, an overhaul of EU structural funds to poorer regions, and a new five-year budget package to run between 2000 and 2005.

Delay risks allowing these difficult decisions to become entangled with Emu.

Poll shows ruling coalition would lose an election as discontent grows over delays in economic reforms

Kohl urges opposition to back tax package

By Andrew Fisher in Frankfurt

German Chancellor Helmut Kohl, struggling to overcome voter discontent and criticism of his government's tardiness in making economic reforms, yesterday called on the opposition to help push through a comprehensive tax package in joint talks starting today.

Faced by evidence that the German public is losing sympathy with his government, he said tax cuts were vital to stimulate industrial investment, new jobs and economic growth – "for that, we need a psychological impetus". An opinion poll for the ZDF television channel showed that Mr Kohl's ruling coalition, led by the Christian Democratic Union, would lose a general election if one were held now.

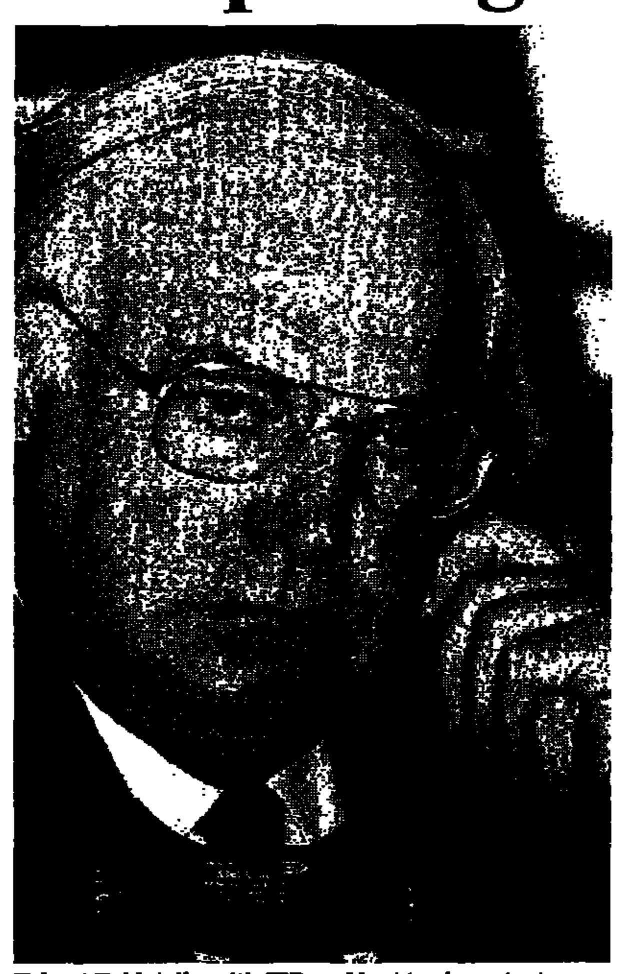
The CDU's alliance with the liberal Free Democratic party would gain 45 per cent of the vote against 47 per cent for the opposition Social Democratic party and the Greens.

Mr Kohl's standing as chancellor has also suffered. Asked whether he or Mr Gerhard Schröder, SPD prime minister of the state of Lower Saxony, should be the next chancellor, only 40 per cent of respondents opted for Mr Kohl. Mr Schröder won 46 per cent approval.

ZDF said 56 per cent thought Mr Kohl should not stand again as chancellor in the next elections in October 1998.

The poll results reflect concern over record unemployment and confusion over the government's tax and pension policies. The Bundesbank called last week for more clarity on economic reforms, stressing the need to bolster business confidence and encourage investment.

These concerns will be at the forefront of today's talks in which the government



Helmut Kohl: talks with SPD could set 'an important signal' for willingness to undertake reforms *Reuter*

will try to hammer out a tax compromise with the SPD. The opposition party controls the Bundesrat (upper house of parliament), which has to agree tax changes. However, the talks are expected to need several sessions.

Mr Kohl said the talks with the SPD were "vital" for German competitiveness and economic recovery. They could set "an important signal" for Germany's willingness to undertake reforms.

He reinforced the government's willingness to advance to 1998 from 1999 some tax changes, which are aimed at cutting personal and corporate tax rates and abolishing loopholes.

Some SPD politicians oppose the government's intended cut in the 53 per cent top tax rate to 39 per cent.

The SPD also dislikes moves to raise tax on night and weekend work.

However, Mr Theo Waigel, the finance minister and head of the CDU's Bavarian sister party, the Christian Social Union, said lower tax rates must go hand-in-hand with "radical" action against tax privileges, including those for night and Sunday working.

D'Alema puts weight behind welfare reform

By Robert Graham in Rome

Mr Massimo D'Alema has staked his prestige as leader of the Party of the Democratic Left (PDS) on a far-reaching shake-up of Italy's generous welfare system in proposals adopted by the party's four-day congress which closed yesterday.

The commitment by Mr D'Alema to reform state hand-outs and carry out a further overhaul of pensions underlined his determination to turn the PDS into a mainstream European social democrat party that is fully behind Italy's membership of the single currency.

He emerged from the congress with his authority reinforced and his reputation confirmed as the country's only politician with the stature of a statesman. He avoided using the congress as an occasion to celebrate the election last year of Italy's first post-war government run by the left. Instead he warned that the road ahead was tough if the country wished to play its full role in Europe with a modernised economy and properly functioning institutions.

Mr D'Alema sought to woo the rightwing opposition into co-operating on major policy issues such as joining the European single currency and constitutional reform. His comments were immediately picked up by Mr Silvio Berlusconi, the former premier and head of the opposition, who had proposed on the opening day of the congress there should be a bipartisan approach to Europe. Mr Berlusconi was seen at the congress warmly applauding Mr D'Alema's keynote speech on Saturday.

In contrast Mr D'Alema was notably cool towards the hardliners in Reconstructed Communism (RC) who are not part of the centre-left Olive Tree alliance, of which the PDS is the main element, but provide essential votes for the parliamentary majority of Mr Romano Prodi's government. This suggested he was willing to face a showdown with RC if it continued to hold the government to ransom on issues such as privatisation or pensions reform.

The move away from the PDS's communist past is now likely to be more rapid as Mr D'Alema pushes the party towards the centre ground of politics.

PDS leader is seeking to woo rightwing opposition

The debate during the congress showed this would not be painless. The tone and content of Mr D'Alema's comments and policy proposals upset the left within the party. This was reflected in the vote confirming Mr D'Alema as leader, with 70 of the 1,130 delegates voting against and 48 abstaining.

He also antagonised an important segment of the CGIL, the main trade union confederation, whose members form a key part of the PDS electorate. During the congress Mr Sergio Cofferati, the CGIL leader, received one of the biggest ovations when he defended the current welfare system and claimed workers had made more than their fair share of sacrifices. But in reply Mr D'Alema accused the union leader of having a closed mind, especially on issues such as greater flexibility in Italy's rigid labour market.

To see a former communist telling a union leader about the realities of the market economy underscored how far Mr D'Alema has moved his party. But it underlined that the main political battle in the coming months will be over welfare reform.

Poland to quicken pace of sell-offs

By Anthony Robinson and Christopher Bobinski in Warsaw

The Polish government intends to speed up privatisation and structural reforms and has pledged not to be diverted by the prospect of elections in autumn.

Mr Marek Belka, the recently appointed finance minister, insisted in an interview that the country's 1997 budget, which envisages 5.5 per cent growth and a cut in inflation from 19 to 13 per cent, "will be meticulously carried out.

"There will be no diversion for any reason, political or otherwise."

The finance minister, who was former economic adviser to President Alexander Kwasniewski, said: "The greater the speed of reform and the faster the elimination of monopolies, the easier it will be to carry out a counter-inflationary policy which strengthens the macro-economic basis for growth."

He cited recent decisions to liberalise oil prices and cut tariff protection as proof of his determination that "what has to be done will be done" – both decisions were pushed through by the Democratic Left Alliance (SLD), the senior coalition partner.

The Polish government has pledged not to be diverted by the prospect of elections in autumn

despite opposition from its uneasy partner, the Peasants' party (PSL).

The SLD faces the prospect of defeat at the polls, despite successful economic policies.

But it could switch coalition partners after the election, although doubts surround its strategic aim of achieving a "historic compromise" with the liberal Freedom Union and other moderate parties.

Mr Belka's immediate priorities are to push through a long-delayed pension reform, to lay the basis for the switch from a state subsidised pay-as-you-go scheme to a contributions funded system, and speed up the privatisation of "flagship" state-owned companies.

Privatisation and pension reform are linked. A law to be introduced in the next four weeks will strengthen the capital base of the proposed pension funds. It provides for the issue of convertible bonds to be sold to fill the budgetary gap which will emerge as a consequence of the pension reform.

The bonds will be offered to local and foreign investors and will be exchangeable for stock in a list of state-owned companies earmarked for privatisation.

The first "flagship" company to be partially privatised in this way will be Bank Handlowy, the highly profitable former foreign trade bank.

Mr Belka said the Bank Handlowy privatisation would be a pilot project. "It will show whether investors accept the convertible bond idea. Any problems will also show up.

"We want to link privatisation to pension reform without destroying corporate governance. We definitely do not want the funds to manage the banks or any other privatised enterprise," he said. Other companies on the privatisation agenda include Polska Miedz, the copper and precious metals mining and refining group, and TPSA, the Polish telecoms company.

The finance minister said he would "keep a close eye" on any signs of overheating in an economy currently enjoying a rapid but stable investment and consumption-led recovery.

"Real investment grew by more than 20 per cent last year, some estimates go as high as 26 per cent. At the same time consumer credit doubled, from a very low base.

"We are watching trends in both enterprise and consumer credit very carefully. But there was a slight deceleration in January and we noted that the propensity to save also improved in 1996.

"What it shows is that Poles, for the first time, are starting to harvest some of the gains in real incomes made in recent years. That is only natural. But if it gets out of hand we'll act quickly."

INTERNATIONAL NEWS DIGEST

Jiang to boost reform effort

President Jiang Zemin has pledged to redouble efforts to implement Mr Deng Xiaoping's legacy of economic reform and opening to the outside world.

In his first comments since Deng's death last Wednesday, Mr Jiang told visiting Kazakhstan president Nursultan Nazarbayev: "We would run China's undertakings still better, and make greater contributions to the cause of peace, development and progress of mankind."

Mr Jiang, who is striving to consolidate his leadership, sought to sound a confident note in his remarks. China's leader will be intent on signalling to possible challengers that he is in command.

Meanwhile, China's propaganda chiefs have banned a leftist magazine which criticised a book of essays on Mr Jiang as too liberal. The banning of an issue of *Zhongliu*, or Mainstay, may be the first shot in a struggle between Mr Jiang and critics on the left.

Political manoeuvring is likely to intensify over coming months before a national party congress due in October, where Mr Jiang will seek a mandate to rule China into the next century. *Tony Walker, Beijing*

Chirac backs Romania

President Chirac has promised to do "everything possible" to persuade France's Nato partners to agree later this year to take Romania into the Atlantic alliance.

At a weekend press conference concluding his two-day visit to Bucharest, Mr Chirac gave a strong boost to the pro-Nato campaign of Romania, east Europe's only semi-Latin nation with which France has longstanding cultural ties. He admitted that the biggest difficulty would be to persuade the US that Romania should be allowed in. But the French president claimed that recent reforms, its new treaty with Hungary and its strategic position on Nato's southern flank, meant that Romania deserved admittance, along with Poland, Hungary and the Czech republic.

Few other Nato countries back Romania's membership bid, but the country's new president, Mr Emile Constantinescu, has said he is increasing the military budget in the hope of joining Nato. *David Buchan, Paris*

New metro line for Budapest

The Hungarian government has given the green light to Budapest's fourth underground rail line, a 7.3km link between the sprawling suburbs of South Buda and the main international (Keleti) railway station.

A recent study put expenditure on construction and rolling stock at Ecu514m ($595m), which will be split between the central government (60 per cent) and the city council (40 per cent). Negotiations are under way for an EU-PHARE subsidy of Ecu65m for the project, and a loan of Ecu160-200m from the European Investment Bank. The European Bank for Reconstruction and Development has also expressed and interest in financing the line, according to Budapest Mayor Gabor Demszky.

Work is scheduled to begin in 1998 and should be completed by 2003. The line is then expected to be extended in a second phase to the northern suburbs of Pest. *Kester Eddy, Budapest*

Guatemala panel named

Guatemala's so-called Truth Commission, charged with investigating human rights violations committed during three decades of armed conflict, took a step forward at the weekend as the three members of the panel were named. Mr Christian Toumushat, the United Nations official heading the commission, announced at the weekend that Ms Otilia Luz, an indigenous professor, and Mr Edgar Balsells, a lawyer, would join him on the commission.

An estimated 100,000 people died and 40,000 "disappeared" during the 36-year-old Guatemalan conflict which ended last year.

The inclusion of Ms Luz on the commission was the result of lobbying on the part of indigenous activists. It reflects recognition of the suffering meted out on the rural Mayan population in the early 1980s when the military's "scorched earth" counter-insurgency policy attempted to root out rebels and devastated hundreds of communities.

However, restrictions on the commission, officially titled the Commission to Clarify the Past, and in particular the prohibition on naming names, means its formation has received only a lukewarm reception from human rights activists. The Alliance Against Impunity, formed by local human rights groups, has announced it will support the commission's investigations. But the alliance will also urge the commission to go beyond a generally accepted conclusion that the army is to blame for most violations. *Johanna Tuckman, Guatemala City*

Hangover for Denmark's conservatives

By Hilary Barnes in Copenhagen

A dozen or so drinks quaffed by Mr Hans Engell, leader of the Conservative party, at a dinner with party colleagues last Wednesday night have left the entire non-socialist bloc in Danish politics with a serious hangover.

Mr Engell, 48, his party's candidate to become prime minister after the next election, resigned on Friday after being involved in a car accident early on Thursday morning, when he was found to have a blood alcohol content over the legal limit.

Under Danish law, this means automatic loss of his driving licence for a year as well as a fine.

Copenhagen's political commentators are almost unanimous in the view that Mr Engell's accident will strengthen the hold on power of Mr Poul Nyrup Rasmussen, prime minister and leader of the Social Democratic party.

He heads a centre-left minority coalition together with the Radical Liberal party.

Last night, after a weekend of negotiations between rivals in a power struggle to inherit Mr Engell's mantle, the party's parliamentary group named as their new political leader Mr Per Stig Møller.

Mr Stig Møller, a former minister of the environment and an author of several well-received books on literary and philosophical subjects, has, however, little popular appeal.

Under Denmark's multi-party system (10 parties are represented in the current Folketing), the non-socialist opposition's best chance of regaining power after the next election, which must be held before September 1998, is a coalition of the Conservative party and the Liberal party.

These two would, however, almost certainly require additional parliamentary support from one or more of the small centre parties, as well as tacit support from the far-right populist parties.

Mr Engell's strength was that he was liked and respected by the centre parties and was therefore regarded as the key to establishing majority support for a Liberal-Conservative coalition after the next election.

As Mr Uffe Ellemann-Jensen, the leader of the Liberal party, conceded when he heard of Mr Engell's accident: "This will not make it easier for us."

NEWS: INTERNATIONAL

Horizon steers for rough water

Bernard Gray on arguments over the capabilities of the planned frigate

Prospects for the Horizon frigate getting off the artist's drawing board to dockyards are looking increasingly remote. Arguments between the British, French and Italian partners on the programme threaten to sink the ship before a shot has been fired.

There is little doubt that all three navies need a high-technology frigate. Indeed, they have been negotiating for nine years to produce one. Modern warships escorting aircraft carriers or cargo convoys have two main tasks: hunting enemy submarines and shooting down attacking missiles or aircraft.

The UK has just finished modernising its anti-submarine fleet with Type 23 frigates, and is now turning its attention to replacing the Type 42 air defence frigates it bought in the 1970s with 12 new ships; France needs four air defence escorts for its new, extremely expensive. *Charles de Gaulle* nuclear aircraft carrier; Italy needs six modern air defence frigates to replace its *Doria* and *Audace* frigates which patrol the Mediterranean.

The threat posed by air attack to warships has increased dramatically in the past 20 years. Aircraft and missiles now include radar-avoiding "stealth" technologies, making them hard to detect, let alone hit. The speed and accuracy of missiles have increased to the point when warning times are almost nil.

At the same time the cost of such weapons is starting to fall, making massed attacks more likely.

Despite the increased threat, the three nations backing Horizon are sharply divided on what capabilities to give the ship.

Britain wants a highly sophisticated frigate capable of defending a widely dispersed convoy alone. France and Italy, under severe budget pressure, are prepared to settle for a less advanced ship which would only defend the waters immediately around it but which would be cheaper.

The dispute could break up the programme, as the UK is not prepared to settle for the lower capacity France wants, while France is not prepared to pay the price the UK demands.

With the ships needed by 2004 at the latest, each country is likely to go its own way if the issue is not resolved by the end of March. This would inflate the cost spent by the three nations as development work was duplicated.

At the heart of the argument is the weapons system which the ship carries and which will be the most expensive component of Horizon. It has three main elements: a radar which detects and tracks targets, a command and control system which processes the data and a missile which is dispatched to destroy the enemy.

> France and Italy are under budget pressure and would settle for a less sophisticated ship than their UK partner

The greater degree of commonality the three countries can get into this weapons system, the lower the development and procurement cost of the programme. Britain's requirements, however, require a much more powerful radar, able to sweep greater distances and track more targets, than that proposed by Italy.

The UK also wants a much more powerful computer system to digest the data. One hopeful aspect is that all three countries seem agreed that the missile they have developed is up to the task.

Britain has already decided to use a different radar to that developed by Italy and France, decreasing the common features of the system. France and Italy reluctantly accepted this last year.

Argument now has switched to the command and control system, with naval officers and officials from all three countries shuttling backwards and forwards in an effort to bridge the gap before the March deadline.

The hope is that Britain's need for more sophisticated equipment can be met by improvements to the software of the computer system, rather than by wholesale replacement of hardware.

Such a fix would minimise the cost of variations between the British and continental versions of the ship, closing the gap between the partners.

However, it is far from clear that such a proposal is technically feasible or politically acceptable. Even if this fundamental philosophical difference is resolved, plenty of problems remain.

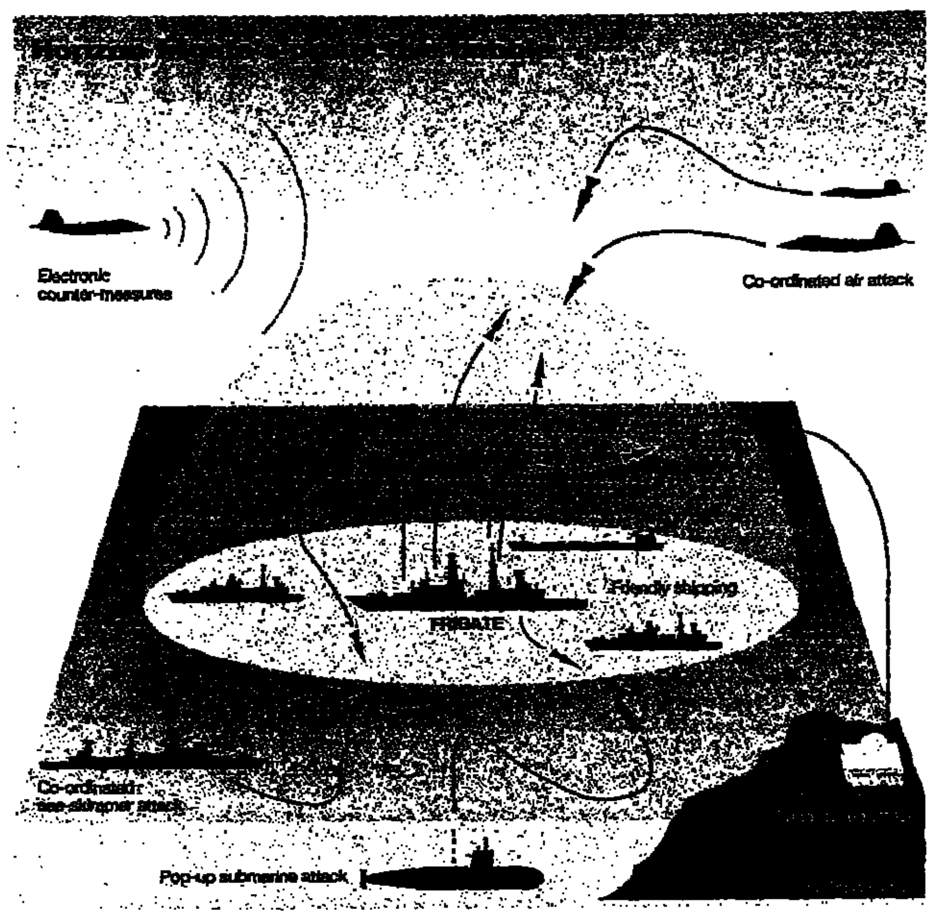
The UK argues that more competition would produce the price cuts that Mr Jean-Yves Helmer, the French procurement chief, has ordered. France and Italy, by contrast, remain wedded to the allocation of work by government.

Because France and Italy started work on the missile system well before the UK joined, it is also proving difficult to find sufficient work for British companies on the high-technology parts of the ship system, even though the UK will be the largest buyer with the biggest budget.

Horizon has also been split into two parts. Design of the ship and its command system is based in a joint project office in London, while the missile and radar systems are being controlled by a joint venture office in Paris. The risk of overlap and confusion between the two teams is evident.

While these problems mount, industry is having to continue working on the programme without being paid. Funding for the weapons system's development has been suspended as the arguments continue and the prime contractors in the three countries – GEC-Marconi in Britain, DCN in France and Orizzonte in Italy – are hoping they will be paid once the problems are resolved.

Whether their faith is justified should be clear by the end of March.



Israeli PM hires criminal lawyer

By Avi Machlis and Judy Dempsey in Jerusalem

Mr Benjamin Netanyahu, the Israeli prime minister, hired a criminal lawyer at the weekend after police questioned him last week over an alleged conspiracy in the appointment of a new attorney-general.

The prime minister's office yesterday would not comment on the decision to appoint Mr Yaakov Weinrot as Mr Netanyahu's lawyer. The office has always insisted Mr Netanyahu was not involved in an alleged plot to appoint Mr Roni Bar-On as attorney-general in return for Shas, a coalition partner, supporting the Israeli troop withdrawal from Hebron.

The alleged conspiracy was reported by Israel Television last month after Mr Bar-On resigned for other reasons immediately after his appointment. The television report also alleged that Shas backed the appointment of the new attorney-general if Mr Bar-On could then arrange a plea-bargain for Mr Aryeh Deri, the Shas leader currently on trial over corruption charges.

The report sparked a police investigation into the affair. They have questioned ministers, parliamentary deputies and Mr Netanyahu.

Mr Weinrot yesterday told Army Radio that Mr Netanyahu was certain police would "prove his innocence".

But he would not confirm further allegations made by Israel Television that police had issued a warning to Mr Netanyahu during his questioning last week that he was suspected of wrongdoing.

Mr Yoram Dori, spokesman for the opposition Labour party, said Labour "was preparing for any possible scenario". He said Labour officials yesterday began laying the groundwork for early elections should the prime minister be forced to step down in the course of further investigations.

Africans in talks on reins of power

By Michela Wrong in Gaborone

A bevy of African leaders who took power after what only the most naive would describe as fair elections will confront opposition critics at a round-table discussion on democracy and good governance hosted by the Commonwealth, opening in Botswana today.

The four-day conference, the first Commonwealth meeting bringing together members of ruling parties and the opposition, will tackle the causes for Africa's post-independence history of military coups, one-party regimes and flawed transitions to multi-party democracy.

A Commonwealth official said: "The west is often criticised for trying to impose alien models of democracy on African scenarios where they are inappropriate. This is an attempt to get countries to start thinking about African brands of democracy. There's never been anything like it – it could be a complete madhouse."

Eighteen African Commonwealth countries will attend the discussions, the brainchild of Chief Emeka Anyoka, the Nigerian Commonwealth secretary-general. Nigeria, suspended from the Commonwealth in 1995 following the hanging of dissident Mr Ken Saro-Wiwa, has not been invited on the grounds its military regime is not popularly elected.

But while all countries attending have staged multi-party elections, the polls of Zambia, Zimbabwe, Kenya, Gambia, Cameroon, Tanzania and Uganda are regarded by analysts as having been so flawed they made a mockery of the democratic process. Many of the opposition parties invited have boycotted ballots they regarded as rigged or refused to recognise the results.

Governing parties and opposition representatives will present their findings to government heads.

Plan to lift ban on holding companies

Japan's ruling Liberal Democratic party and its two political partners today attempt to resolve their differences over the proposed abolition of a 51-year-old ban on holding companies, writes William Dawkins.

Agreement between the LDP, centre-left Social Democratic party and New Harbinger party would lead to new legislation by the summer. This is widely sought by industrial and financial companies to help reduce costs and increase flexibility at a time when they are worried about maintaining international competitiveness.

Holding companies, banned during the post-war US occupation in an attempt to avoid monopolies, would permit groups to hive off unprofitable businesses into subsidiaries, reduce labour costs by replacing company-wide wage bargaining with individual deals among new subsidiaries, and offset subsidiaries' losses against group taxable profits. The move would make it easier for financial institutions to restructure.

The scheme is part of the Japanese government's plans to make Tokyo's financial markets as competitive as London's or New York's by 2001. It has been given impetus by the agreed break-up of Nippon Telegraph and Telephone into long-distance and local operators under the umbrella of a holding company.

Forex move by Tokyo lights fuse

Easing of exchange controls could be the impetus for further financial deregulation

By William Dawkins in Tokyo

The Tokyo government's plans to dismantle nearly all remaining foreign exchange controls look at first sight like a modest step for an already fairly liberal Japanese foreign currency market.

But finance ministry officials and Tokyo securities executives believe proposals to lift requirements for a finance ministry licence to buy and sell foreign currencies will light the fuse for wider financial deregulation announced by Mr Ryutaro Hashimoto, the prime minister, late last year.

"There could be a large scale impact. After we have deregulated foreign exchange, the only way to prevent further loss of financial business from Tokyo to competing foreign markets will be to liberalise all other related sectors of the financial market in Tokyo," says a finance ministry official involved in drawing up the plans.

This chain reaction, he says, could resemble that in the UK when it dismantled its exchange controls in 1979.

The decision unleashed a burst of competition leading to Britain's Big Bang, seven years later, the inevitable condition for the continued survival of a financial market in London.

Ambitiously, Japan is planning only a three-year countdown, from the proposed abandonment of exchange controls in April 1998, to the planned completion of its Big Bang in 2001.

However, Japan's planned foreign exchange deregulation is much less radical than the UK's 18 years ago. The foreign exchange committee report on which the new legislation is to be based, points out that the most recent significant change in Japanese foreign exchange laws in 1980, allowed for "greater freedom than the systems prevailing in European countries at the time."

But it adds: "In the late 1980s... international transactions were rapidly liberalised to facilitate the integration of the European Union, and as a result Japan has fallen behind."

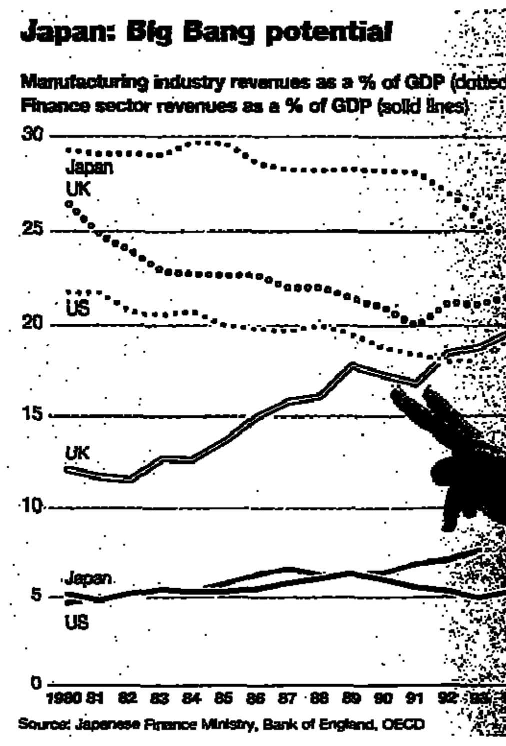
The first consequence of ending Japan's exchange controls would be to make it much easier for Japan's savers to invest some of their money – Y220,000bn ($1,774bn) in postal deposits alone – offshore.

Currently, anyone who wants to place more than Y2m abroad must ask the finance ministry's permission. That curb, to be scrapped, makes it cumbersome for Japanese investors to buy several attractive products, long accepted as standard in the UK, but almost unheard of in Tokyo.

Investment trusts, for example, cannot be listed on the Tokyo stock exchange, but are sold privately by securities houses, subject to their own private valuations. Neither are domestically licensed securities companies permitted to list index-linked funds.

Japan: Big Bang potential

Manufacturing industry revenues as a % of GDP (dotted lines)
Finance sector revenues as a % of GDP (solid lines)



Source: Japanese Finance Ministry, Bank of England, OECD

Foreign pension plans, which tend to offer better performance than Japanese ones, are another potential hot seller to a rapidly ageing population.

Japan's very low interest rates, the poor return available from the Tokyo stock market and a falling yen, make it all the more likely that Japanese savings could shift offshore once controls are abolished.

Clearly, that would give foreign securities companies and banks, or domestic ones with foreign contacts, a competitive advantage.

A second consequence would be to allow corporate buyers and sellers of foreign exchange, such as general trading companies and big exporters, to carry out their own transactions. At present, such companies must use commercial banks.

The fees on individual transactions are already very low, because several car and electronics companies have provided competition against the banks by setting up their own foreign exchange dealing operations in London or New York.

But companies forced to transact foreign currency in the Tokyo market still have to use the banks unnecessarily often, because current regulations make it hard to do "multi-netting", whereby an exporter balances out several foreign exchange deals into a single transaction.

All this implies a loss of business for the banks, thus pushing them to find new sources of income, another part of the big bang chain reaction.

To make such a change possible, a change of heart has clearly had to take place in the finance ministry and among the banks.

Until recently, the finance ministry was unwilling to contemplate total deregulation. It wanted to make foreign exchange licences more freely available, rather than abandoning them altogether, in line with its traditional strategy of seeking to control a slow pace of financial deregulation.

Banks and the big securities companies – designated as foreign exchange dealers under the current regime – were understandably unwilling to abandon their lucrative cartel, even if it was being eroded.

But bank members of the foreign exchange committee dropped attempts to keep some form of controls late last year, on the assumption that the domestic foreign exchange market would, in any event, continue to lose out to other capital centres. "They had nothing left to defend," said a ministry official.

What caused the ministry's change of heart was its growing realisation over the past two years that it could not reverse the gradual withering of Japan's financial markets.

Japan's financial industry's share of national wealth has been on a steady decline since the collapse of asset prices in 1989, according to ministry data. The UK's financial industry has prospered, barring two lean years, since soon after the abandonment of its exchange controls.

The moral is obvious. Unless the risk of a rush of Japanese savings abroad causes the finance ministry to try to reimpose controls at the last minute, the consequences for Japan could be similar.

Macao ponders future under Chinese

By Peter Wise in Macao

All that remains of Macao's São Paulo Cathedral, one of the most impressive Christian monuments in Asia, is its baroque facade. As the territory prepares to return to Chinese rule, time is running out for Portugal to leave behind a more substantial legacy of colonialism.

After more than four centuries of rule, Portugal hopes to provide Macao with a permanent endowment of language and culture before China resumes sovereignty over the tiny enclave in December 1999. But in a territory economically dependent on gambling and increasingly shaken by the violent crime of Triad gangsters, Portugal's efforts may prove quixotic.

Father Manuel Teixeira, 85, a Jesuit priest and historian, sees Macao's return to China after almost 450 years of Portuguese rule as a "historic watershed" with unpredictable consequences.

But as Macao lives out its last days as the oldest and – after Britain returns Hong Kong to China in July – the last European colony in Asia, the enclave's Chinese population, 96 per cent of the total, appears not to share any sense of an era ending. "I don't think life here will change much under Chinese rule," says a young Chinese hotel manager. "I've been to Beijing and I felt very much at home there."

Her view is shared by Portugal's President Jorge Sampaio, who left Macao yesterday for talks in Beijing. "I dislike end-of-an-era sentiments," he says. "I prefer to see the transfer as the beginning of a new chapter in relations between China and Portugal."

Portugal sets considerable store by the relatively smooth progress of talks with China on the transition, in contrast to the sometimes stormy process of returning Hong Kong. Much less is at stake in Macao, which has an area of only 16 square kilometres and is far less developed than the British colony. But not all the conciliation has come from the Portuguese side. China has gained dividends from being able to hold up Portugal's handling of Macao as an example for Britain to follow on Hong Kong. Beijing also appears concerned to preserve what is left of Macao's Portuguese character, which lends value in terms of tourism and trade.

"Macao is a nightingale," says Bishop Domingos Lam, head of the Roman Catholic Church. "Nobody wants to hurt such a fragile bird."

Most of the population of 425,000 appear to agree. Macao has suffered only one period of social unrest, when anti-colonial riots broke out in 1966 during China's Cultural Revolution. But security is increasingly under threat from the Triads, as gangs fight for control of parts of the gambling industry, which provided 58 per cent of government revenue in 1996.

In November Lieutenant-Colonel Manuel Antônio Apolinário, chief gambling inspector, survived being shot twice in the head. More than 30 motorcycles and two cars have been fire-bombed this month.

Mr Sampaio believes the problem has to tackled at the roots, by fighting poverty and social exclusion. He has also called for closer co-operation with Chinese security authorities.

Gangland warfare is not a legacy Mr Sampaio wants to pass on. But it could prove more tenacious than the Portuguese language or culture. These, says Dr José Araujo, a surgeon at Macao's main hospital, will disappear after 1999 "like grains of salt in a glass of water".

Hanbo loans probe clears Kim's son

By John Burton in Seoul

South Korea's main opposition party and leading newspapers yesterday accused prosecutors of a cover-up by clearing President Kim Young-sam's son of involvement in the Hanbo Steel loan scandal.

After nearly 25 hours of questioning, prosecutors said there was no evidence that the president's son had pressed banks to lend to the failed Hanbo Steel in return for political donations. The four-week investigation into Hanbo is now expected to be closed.

"The probe was designed to acquit Kim Hyun-chul," said the centre-left National Congress for New Politics. "Prosecutors were trying to cover up the suspicions surrounding him."

The opposition alleged that the Hanbo probe was biased, claiming that the prosecutor's office was staffed with political allies of President Kim.

Officially, Mr Kim Hyun-chul, 37, the subject of much gossip among politicians and businessmen, has been studying for a doctorate in business administration at Korea University ever since his father became president in early 1993. He was questioned in connection with a libel complaint he filed against six opposition politicians who alleged he helped arrange loans for Hanbo, which went bankrupt last month with debts of nearly $6bn. In protest, the opposition politicians refused to appear before prosecutors to answer the suit.

The discovery in a Hanbo warehouse of 10,000 copies of a book written by Mr Kim raised suspicions that Hanbo was indirectly subsidising the president's son through large book purchases. "There is no one who believes the prosecutor's claim that all allegations made against Kim Hyun-chul were found to be false," said Chosun Ilbo, Korea's leading conservative newspaper.

An opinion poll last week found that more than 80 per cent of Koreans believed that the investigation of Hanbo had failed to reveal the full truth behind the scandal.

Ten top businessmen and politicians have been indicted, including the Hanbo founder and three close associates of the president, on corruption charges.

President Kim is expected to make a public apology for the Hanbo scandal as he begins his last year in office this week. He plans to conduct a reshuffle of the cabinet and ruling party in an attempt to regain support.

The opposition is hoping to call the president's son before a special parliamentary panel investigating the Hanbo scandal. But presidential aides have suggested the younger Mr Kim may soon go abroad to study, which would make him unavailable for questioning by MPs.

Japan looks to US phone standard

By Michiyo Nakamoto in Tokyo

Japan is poised to adopt the US standard for digital mobile phones, dealing a blow to European ambitions to make GSM the world standard.

A government advisory panel is today expected to recommend to Japan's ministry of posts and telecommunications that it adopt CDMA technology developed in the US as Japan's standard for its next generation of mobile communications.

The Japanese choice of CDMA, or code division multiple access, technology is also likely to reduce the chances of GSM, or global system for mobile communications, being adopted by the International Telecommunications Union as a global standard.

"Japan has substantial weight in determining which standard is adopted. Whichever standard Japan goes for is likely to be the world standard," said a Japanese telecoms official.

Europe and the US have been wooing Japan to adopt their respective technologies and the issue has taken on political dimensions. "We feel discriminated against. If they can use American technology why not European technology?" said one European industry executive.

However, Japanese officials in industry and government say that the decision stems from the more efficient use of radio frequency that CDMA technology offers over GSM.

IDO, a Japanese cellular operator, is considering introducing CDMA technology, as is NTT Docomo, the cellular arm of NTT, Japan's dominant domestic carrier. NTT Docomo hopes to use wideband CDMA technology for multimedia communications in the early years of the next decade. The current GSM technology did not offer the kind of multimedia capability which it was aiming to offer, an official said. European industry representatives have pressed the Japanese government to leave the option for carriers to adopt GSM even if the government adopts CDMA.

"We are very proud of GSM because it is used in 98 different countries and it was developed from a users' point of view," said Mr Paul Kuhn, president of Deutsche Telekom in Japan. CDMA, meanwhile, is only used in Korea and Hong Kong.

The European industry is asking the Japanese government for a frequency allocation to offer GSM-based mobile communications services but has been told that this is not available.

Japan's decision to adopt CDMA technology is a reversal from its past policy to use home-grown technology. Japan came under enormous pressure from the US when it failed to allocate spectrum to an analogue cellular phone standard developed by Motorola, the US company.

Following a US-Japan agreement, the domestic market has used both a standard developed by NTT, known as PDC, and the Motorola standard for analogue phones.

The telecoms ministry said the failure of Japan to win worldwide acceptance for its own standards had led it to give up trying to promote proprietary standards.

The ministry "has no intention of developing its own standard alone from now on. It was hurt by many experiences in the past, and that of PDC in particular. Japanese standards have not been accepted and if we try to pursue such a policy it will damage Japanese industry," said Ms Noriko Karaki, deputy director of the land mobile communications division at the ministry.

Australia mulls over clues to rates cycle

Hints from Mr Ian MacFarlane, Reserve Bank governor, and warnings on wages growth in last week's quarterly report from the central bank have prompted speculation in Australia's financial markets that the interest rate cycle may have bottomed out.

The bond market weakened, while the Australian dollar and money market rates rose after Tuesday's Reserve Bank report pointed to a strengthening economy.

On Friday the Australian dollar rose as foreign exchange markets digested further evidence of a strengthening economy in the form of bullish government statistics on corporate profits, especially in mining, and a monthly rise of 0.7 per cent in skilled employment vacancies.

Earlier, Mr MacFarlane had damped down hopes of a rate cut sparked by weak retail spending figures for December.

Three recent rate cuts were now starting to have an effect on the economy, he said.

"The Reserve Bank is really trying to get the message across to the public that it means to curb inflation," says Mr Don Stammer of Deutsche Morgan Grenfell.

This year should see a long-awaited cyclical recovery in house prices and housing construction as well as higher consumer spending.

But Mr Stammer and several other economists note that economic recovery remains patchy, fuelled by high investment in mining and on infrastructure, with some major road projects under way as well as preparations for the Sydney Olympic Games in 2000.

Unemployment remains stuck, however, at 8.6 per cent. Consumer confidence still appears fragile and manufacturers' margins have been squeezed by their inability to pass on cost increases.

Woolworths, one of the country's two big retailers, remains guarded about consumer spending despite a recovery in January from December's weakness. February's results so far were "a little softer in relative terms, but still stronger" than in the previous year.

But Mr Bill Shields, chief economist at Macquarie Bank, says soggy retail spending figures could be explained by indications that consumers are spending their increased disposal income on leisure and travel services, including gambling with brisk business in Australia's casinos.

Mr Shields says the chances are now that Australia's economic performance will surprise by its strength this year.

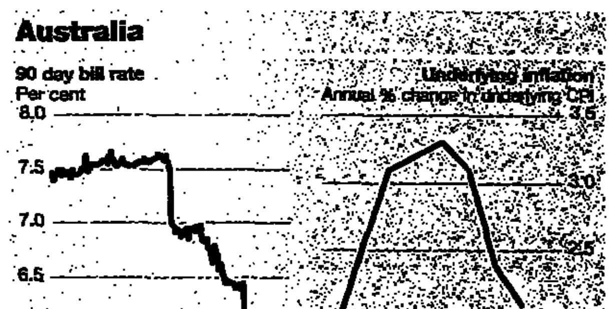
He is forecasting that quarterly growth figures due in early March will show a 4 per cent year-on-year increase in gross domestic product for the December quarter.

Though this is at the top of private forecasters' range, others have been revising up their estimates.

The main concern for the Reserve Bank remains wages.

Though average weekly earnings rose by less than 4 per cent in the year to November, private sector wage agreements were higher than inflation and productivity trends would sustainably permit, its report said.

Australia



Source: Datastream

A more specific worry is the so-called "living wage" claim being pursued by the Australian Council of Trade Unions on behalf of low-paid workers.

In its first stage this would provide a minimum increase of A$30 (US$15) a week for any worker who does not see improvements through the new deregulated enterprise bargaining system.

The Reserve Bank said this would contribute to a 1.6 per cent increase in aggregate wage growth, even before allowing for any flow-on effects to higher-paid workers.

Government estimates suggest the impact on wage growth would be higher still. Even if the economy turns out more sluggish than its report suggests, the central bank is unlikely to contemplate a further cut in interest rates until the living wage claim decision is made.

The inflation position – the underlying rate was 2.1 per cent in 1996 – would allow a rate cut if a weak patch emerged in the economy, says Mr Chris Caton of Bankers Trust, but this prospect is receding.

"We think the rate cuts could well be at an end. We're right at the bottom of a cyclical slowdown. Growth will pick up from here."

Bankers Trust believes any rate rises will be slow to emerge, so that it could be mid-1998 before the Reserve Bank actually tightens.

When interest rates do go up, it will not be by much, adds Mr Jeff Oughton of National Australia Bank. "It will be just a shot across the bows."

Peter Montagnon
Nikki Tait

Labour shortage may curb Malaysian growth

By James Kynge in Kuala Lumpur

Malaysia's economy recorded its ninth consecutive year of growth over 8 per cent in 1996 but a chronic labour shortage and a possible property glut could act as a drag on economic expansion this year, according to economists.

Mr Anwar Ibrahim, the deputy prime minister and finance minister, announced at the weekend that the nation's gross domestic product grew 8.2 per cent last year, compared with 9.5 per cent in 1995.

He has predicted growth of 8 per cent for this year. "The latest figures we obtained point to economic growth and overall progress that is very encouraging and reassuring," Mr Anwar said. But he added: "This does not mean that we should be complacent."

The country's current account deficit narrowed significantly from M$18.69bn (US$7.5bn) in 1995 to M$11bn last year. The shortfall, which measures the deficit in the trade of goods and services, was the prime concern among foreign stock market investors last year because it implied the country was spending beyond its means.

But the smaller deficit and the slower, more sustainable rate of economic growth had helped allay fears that the economy was overheating, economists said. Another encouraging sign was that growth in spending on consumer items by the private sector slowed from 13.1 per cent in 1995 to 9.8 per cent. This helped to keep inflation at 3.5 per cent last year, compared with 3.4 per cent in 1995.

Meanwhile, an increase in the national savings rate meant that 89 per cent of investments were funded from domestic sources, compared with 80 per cent in 1995, said Mr Anwar.

But these developments cannot obscure structural weaknesses created by nine years of rapid expansion. Shortage of labour has hit almost all enterprises, especially in manufacturing and services. Employees do not fear being fired and demand high wage increases; productivity gains lagged far behind wage rises last year.

Even flagship enterprises such as Malaysia Airlines have hit difficulties. Mr Bashir Ahmad, the airline's senior vice-president, said the company could not find enough pilots locally but the higher wages demanded by foreigners had inflated costs and caused spiralling wage claims among local pilots.

An emerging oversupply of office, retail and residential property in and around Kuala Lumpur is also causing concern. Most economists said they did not expect a general decline in property prices this year but warned that, if construction continued at its current pace, there could be a slump in 1998.

NEWS: UK

Enthusiasm for Shetland oilfield cools

By Robert Corzine

Oil industry interest in the UK's newest exploration area in the ocean west of the *Shetland Islands* is waning just as Foinaven, the first commercial development in the region, nears completion.

However, government officials said they were pleased with exploration efforts in the area, which some observers had speculated could prove to be another North Sea.

There is also considerable interest in many unexplored areas, especially in the contested "White Zone" between the UK and the Faroe Islands. Last Friday the Department of Trade and Industry *reported it had* received 21 applications from companies for frontier exploration acreage *in the 17th* licensing round, which closes at the end of March.

But a *number of oil companies* are expected to scale back their activities due to high costs and mixed results.

Not all companies have been discouraged. BP and its partners *are increasingly* optimistic that geological problems at Clair, the region's *biggest oil find*, will be overcome.

However, Mr Spencer Winter, exploration manager at Chevron, the US oil company which is active in the area, said: "There is a definite cooling off of enthusiasm among some companies. Two years ago there was no way you could get into an *exploration* block. Now the early euphoria has given way to concern among some companies *that* they may have over-committed themselves."

Although there is unlikely to be any large-scale withdrawal from the area or wholesale renegotiation of exploration commitments with the DTI, Mr Winter believed some companies would try to dilute their interests in west of Shetland exploration blocks.

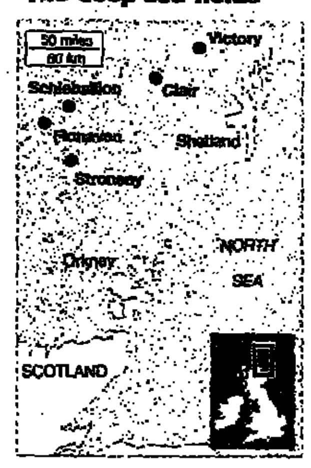
There is little public information on recent exploration activity. Many of the 161 wells which have been drilled in the area – also known as the "Atlantic margin" – have been classified as "tight holes", for which no results are announced. Industry executives said much additional exploration drilling would be needed to determine the true potential of the region. But many have already concluded that it is unlikely to rival the North Sea.

"It's not a giant province," said Mr John Browne, chief *executive of British Petroleum*, operator of Foinaven. "But it will be valuable for the UK *and the oil industry*."

Part of the diminished interest stems from the cost and *complexity of operating* in such deep water, where cold water currents have proved capable *of damaging* heavy steel drill strings.

Another discouraging factor *is the frequency with* which natural gas, rather than oil, has been discovered.

The deep sea fields



Construction sector set for business surge

By Andrew Taylor, Construction Correspondent

UK construction companies face a boom in the next three years which could out*strip* even *that of the late* 1980s.

A survey sponsored by the government and industry says some 400 projects worth £30m ($48.6m) or more are expected to be undertaken over the next few years. This amounts to £33bn of output at 1990 prices in the next three years alone.

It says a comparable study in the late 1980s would have shown the industry expecting work worth £29bn for the three years to 1990.

The Construction Procurement Group, which commissioned the study, said UK companies could face big rises in imports, material and labour costs if domestic suppliers did not quickly gear up for the recovery.

CPG, established in 1994 to maximise the use of UK materials and services in the £50bn a year turnover industry, fears many suppliers are ill-prepared to meet demand.

The study, by Gardiner & Theobald, the consultants, says *the boom will be fuelled* by lottery funds, millennium projects, the government's *private finance initiative*, rising economic activity and inward investment.

CPG fears imports will be sucked in if domestic suppliers, which cut capacity in *the recession, cannot boost* production. Mr Malcolm Dodds, CPG director says: "The trade deficit in building materials has narrowed considerably over the past *decade, mainly as a result of* domestic suppliers improving their competitiveness.

"This improvement could be eroded unless suppliers maintain that competitiveness in an increasingly global construction market. The rise in the value of sterling will not have helped."

The trade deficit in building materials, according to the Environment Department, *fell by over 15 per cent* in 1995 to £1.46bn - almost half 1989's £2.84bn shortfall. In structural steel there was a trade surplus of £255m in 1995 compared with 1989's deficit of £27m.

Mr Dodds said: "It is vital these gains should not be lost because British manufacturers are unprepared or price their products uncompetitively – particularly against continental European suppliers, many of which are currently experiencing a downturn in their home markets."

Companies also fear rising labour costs and skill shortages *following the loss of* 500,000 construction jobs since 1989. The Building Employers *Confederation* last week urged the government to help fund training *to create 150,000 new jobs in* the sector, which employs 1.35m workers.

*Mr Ian Deslandes, the con*federation's director-general, said: "Provided this early action is taken we should be able to avoid supply bottlenecks. This will require joint *action* by industry and government, given that it is better that Britain should benefit from reduced unemployment rather than suck in workers from continental Europe."

Ron James (left) and Ian Wilmut discuss cloned sheep treatments

Press Association

Cloning raises drug trial hopes

Drug treatments for serious diseases should be more widely available sooner thanks to a scientific breakthrough in cloning a lamb from cells from an adult sheep.

This is the first time a new-born mammal has been derived from adult cells, *according to PPL Therapeutics*, the Scottish biotechnology company which made *the breakthrough with scientists* from Edinburgh's Roslin Institute.

Mr Ron James, managing director of PPL, said yesterday the advance would slice up to 18 months off the three to five years spent on clinical trials of new drugs.

It would open the way for a variety of new treatments to be produced economically, such as human serum albumin (hSA) for burns and other serious injuries.

About 600 tonnes of hSA is required worldwide each year and has to be derived from human blood. Many other drugs derived from human proteins also cannot be made in sufficient quantities to meet demand.

The new technique will *enable* hSA and *other* human proteins to be obtained, possibly in larger *quantities, from cloned* sheeps' milk. "It costs less to collect a litre of milk *from a sheep than a litre of* blood from a person and it contains between 10 and 100 *times as much of the protein*," he said.

Mr James dismissed fears it could lead to the cloning of humans. "Undeniably the work theoretically brings us a step closer, but there are a huge number of steps to go, and we'd all agree that it was unethical," he said. "It would also be illegal to transfer a *whole* set of genes from a human egg."

The research took cells from the udder of an adult sheep, grew them in the laboratory and transferred a nucleus from them to an egg from which the nucleus had been removed.

The egg was transplanted into a *surrogate ewe, lead*ing to the birth of Dolly, a lamb genetically identical to *the sheep from which the* mammary cells were taken.

The Roslin Institute last year *made headlines* by producing Morag and Megan, two ewes cloned *from embryos. But the tech*nique has a high failure rate, with only two embryos developing into lambs from 250 attempts.

"The new technology will allow transgenic animals to be produced more cheaply," said Mr Ian Wilmut, leader of the research team at Roslin.

"Genetic modification of the donor cells in culture before they are used in nuclear transfer will also allow us to introduce very precise changes in their DNA and open up the possibilities for a range of new products for the treament of, for example, cancers and *inflammation*."

Animal breeding companies are already showing *interest in the technology to* multiply farm animals with the best traits.

The process of selection for top meat or milk production could be speeded up "substantially" by a limited amount of cloning, said Mr Wilmut.

Mr James explained that the idea would be to produce a small number of elite clones from which to continue normal breeding to avoid losing *the genetic* diversity which ensures the survival of a species.

Alison Maitland

Strike threat over culled cattle

By Alison Maitland

Government hopes of using power stations to burn the remains of cattle culled because of "mad cow" dis*ease suffered a fresh setback* yesterday. The GMB general union said it would advise its members *to strike rather* than handle the material.

"Our advice to the government is to forget it, and our advice to members is that there are a whole series of unquantifiable risks involved," said Mr John Edmonds, general secretary of the GMB, which represents many power workers.

"Power stations aren't designed to burn toxic waste of this nature."

He said members would be advised to walk out "if that's the only way to persuade management it shouldn't happen".

The government last year asked the power generators *to test the feasibility of* using coal-fired plants to burn bonemeal from ren*dered-down* cattle carcasses.

Mr Edmonds said the GMB had learned on Friday there was "a strong possibility" power stations would be used. The TGWU general union said such a move would be a matter of concern.

Government officials said yesterday that negotiations *were continuing. Power stations* have been the government's preferred option for *disposing of the* bulk of the *waste*, partly *because they* appeared cheaper than using specialised incinerators.

More than 1.1m cattle over 30 months old have been destroyed, in an attempt to *restore* consumer confidence in beef. Pending incineration, the remains are being kept either as carcasses in cold stores, or as meat and *bonemeal from the rendering* process.

National Power said its tests had shown *the power* plants could easily burn the cattle material at high *enough temperatures to* destroy the rogue prion protein responsible for bovine *spongiform encephalopathy* (BSE).

However, "modifications" would be needed to handle *the powdered remains*. A spokesman said there had been no government response to the test results and it would be premature to comment on a possible walk-out by power workers.

● The government is *likely* this week to deliver formal proposals to the European Commission for a scheme for certified herds which it hopes will be made exempt *from the European* Union export ban on British beef.

Meat under the scheme will be from cattle under 30 months and from herds which have had no contact with infected feed and have been free of BSE for six years.

UK NEWS DIGEST

Poor road links 'hamper trade'

Poor road links with Britain's ports and airports are hampering trade and causing damage to the environment, *the British Road Federation warns in a report out today.*

The federation, a transport lobby group representing hauliers and the construction industry, called for the government *to create a special access fund to finance* road, rail and public transport connections.

Ports are under pressure from a sharp increase in *freight volume and passenger numbers over the past* decade, the federation said. Sea ports handled 548m tonnes of freight in 1995, an increase of 86m tonnes on 1985. *Nearly 1.8m trucks and 7.6m cars made sea cross*ings, up from 1.2m and 4.6m respectively in 1988. Airports handled 115.5m passengers, an increase of 87 per cent in *10 years, and 1.65m tonnes of freight, a rise of 105 per* cent.

The survey identifies for improvement roads such as the M25 motorway around London, the M6 and M62 in the north-west and the A74 and A75 in Scotland. But it emphasises the upgrading needed on the approaches to many ports and the need for additional river crossings in east London. *Charles Batchelor*

■ MONETARY UNION

Dual currency system proposed

The single European currency should become legal tender in the UK even if the UK opts out of monetary union, according to the Adam Smith Institute, a rightwing think-tank.

In a report published today, the institute proposes a dual currency system for transactions of more than £10, *arguing this would solve the government's dilemma over* the single currency. The system would leave the pound in place while keeping the door open for the UK's full participation in Emu later. It would leave the UK – along with Panama – as one of the few countries which accept a foreign currency as legal tender. In Panama, the US dollar acts as the main currency.

Dr Madsen Pirie, president of the institute, said the dual currency scheme would allow people "to pay for hotels, travel tickets and meals in euros, without having to bother bus conductors with small change for bus tickets. *They would need some sterling for smaller transactions*". *Wolfgang Münchau*

■ AIR TRAFFIC SERVICE

Labour may go ahead with sale

Labour may go ahead with the proposed privatisation of the National Air Traffic Service, which the Conservatives are proposing to sell for more than £500m, if it wins the general election. Mrs Margaret Beckett, the opposition party's trade and industry spokeswoman, said yesterday in a BBC interview that she "could not rule out" a Labour government going ahead with the sale. The U-turn will alarm Scottish Labour MPs worried about the future of the operation at Prestwick, near Glasgow, where there are plans for a £230m expansion. *David Wighton*

■ ENVIRONMENT

Code planned on 'green' claims

The government plans to launch a code of practice *designed to crack down on misleading* "green" claims made for products.

But objections from the Department of Trade and Industry mean the draft code, which will be unveiled by the Department of the Environment tomorrow, will not have any statutory teeth. The Department of Trade and Industry is understood to be hostile to far-reaching reform of the Trade Descriptions Act which would make it easier to police marketing claims such as one that a product is "environmentally friendly". The guidelines will set challenging standards for companies which decide to follow them.

The code says a "green" claim must be accurate, capable of being substantiated by hard evidence, relevant to a particular product or service and used only in an appropriate context or setting. *Leyla Boulton*

Song cycle goes round and round

DATELINE

Rome: The emblematic 47th San Remo song festival, and its unvarying lyrics, were as popular as ever, writes Robert Graham

There could be no better example of Italians' fear and loathing of change than their attachment to the annual San Remo song festival. Now in its 47th year, the festival, staged in this genteel riviera resort, otherwise famous for its casino, has survived a string of soothsayers predicting its demise. The festival is so resilient that it has become an emblem of popular entertainment.

It has out-lived the so-called First Republic: the era from the end of the second world war until the collapse of Italy's ruling parties in 1992 under the weight of corruption. San Remo is almost as old as the constitution, which itself is about to be changed.

The latest festival, which finished on Saturday, proved that this strange amalgam of Italian song competition and vulgar variety show is as popular as ever despite its years – thanks to television. Turning San Remo's Ariston theatre into a lavish outside studio, the state-run RAI television network has made the festival into one of the main outside broadcast events of the year.

Last Wednesday, the second night of the five-day show, a maximum of 16m sets were tuned in at one stage. The average audience was 13.6m, almost 1m more than last year and 52 per cent of the total TV audience. Three times more people preferred to watch the festival than a potentially big-draw football match.

Symbolic of the festival's durability was the choice of this year's compere, veteran TV personality Mike Bongiorno. The 72-year-old Bongiorno joined Italy's nascent RAI Television in 1954 and invented the telequiz.

For RAI it was something of a coup to bring back Bongiorno, replacing another variety veteran, Pippo Baudo. Bongiorno is one of the stars of the rival network owned by Silvio Berlusconi's Mediaset. He had to be given special leave by Mediaset to host San Remo, a gesture interpreted by unkind tongues as a move to prepare the ground for a divorce. Certainly, in off-stage comment, part of the spice of the festival, Bongiorno did his best to bad-mouth Mediaset and vice versa.

The festival itself runs to a well-tried formula with a few (scarcely daring) innovations each year, and centres on a competition of original songs sung by new singers or groups. Over the years, previous winners and known singers have been brought in to liven proceedings, and latterly the odd international star has appeared. This year the star guest was David Bowie, who had the ill grace to say he had no idea what the festival was and appeared only to promote his new label.

The remarkable aspect of the competition is the unvarying nature of the lyrics and the unadventurous musical accompaniment whose root is in a popularised version of Neapolitan belcanto. Almost without exception, the songs are sentimental. A selection of this year's titles says it all: "Within me"; "Laura's not there!"; "Tell me you don't want to die"; "What I feel"; "I'll tell you about love"; "It's You"; "True Love"; "River of words".

Against such a background of predictable songs, it often seems that the success of San Remo lies well beyond the build-up to the finale. Indeed, this year's competitors have been overwhelmed by the gimmicks of a competition-turned-spectacle. The centrepiece last week was Italy's latest soubrette, Valeria Marini.

The statuesque Marini looks like Marilyn Monroe brought up on pasta. The combination of her ample bosom, squeezed into a selection of revealing dresses, and her girlish charm, was sufficient to stop the show on several occasions. She looked all the more spectacular since neither Bongiorno nor his co-presenter, comedian Piero Chiambretti, reached her shoulder.

The presence of Chiambretti has been the most adventurous aspect of the festival. He has made his reputation as an impish provocateur with clear leftist sympathies. Under Italy's first centre-left government he has become the most politically correct comedian. This led, incidentally, to an absurdly inconclusive debate as to whether San Remo had become politicised, and if so whether it was entertainment favouring the left or right.

To ensure San Remo remained family entertainment, Chiambretti was dressed in white with angels' wings and was suspended for much of the time in a stage harness, while his tongue was suitably restrained. But there was always an element of unpredictability about him and he provoked outrage even among some RAI staff when he pulled the trailing thread on the hem of one of La Marini's costumes.

It is incidents such as these which keep San Remo on the road. Each day all the newspapers devote between two and four pages to the goings on. Had hidden cameras been placed in La Marini's bedroom? No. Would someone threaten to throw themselves from the theatre balcony? No. Did La Marini have 50 pieces of luggage? Apparently yes. How does Bongiorno retain his hair? Unclear. Such interest in gossip suggests that a good part of the festival's success lies in an extended voyeuristic peep into TV showbusiness.

The festival has also survived because both RAI and the Italian record industry have seen good money in San Remo. Italy has a comparatively small record business. The last statistics from the International Federation of the Phonographic Industry show that in Italy 0.7 records were purchased per head in 1994 compared with 2.2 in France and three in the UK. But the companies have increasingly come to regard San Remo as an important launch pad for new voices and a way to sustain old favourites. Indeed, the festival is considered the main source of oxygen in a country with a poor record-buying tradition.

This combination of show business and hard business, alongside the festival's near mythical status, should ensure San Remo has many more years to run.

The Monday Profile: Tadashi Sekizawa, Fujitsu

Soft-spoken agent of change

Tadashi Sekizawa does not immediately come across as a mover and shaker. The soft-spoken president of Fujitsu, who counts cooking and growing vegetables among his hobbies, has the air of a shrewd and demanding businessman rather than of an impassioned reformer.

But Sekizawa is credited with ushering in revolutionary changes at Fujitsu. These are said to have transformed what was once a sprawling behemoth with interests in a wide range of high-tech businesses into a nimbler, more focused company, better equipped to become a leader in the rapidly expanding information industry.

In doing so, he has not only shaken the culture at Fujitsu but has shocked the Japanese business community with his seeming disregard for convention. His programme for change has a clear goal: to make Fujitsu a world leader in the network age.

When he took Fujitsu's helm seven years ago this June, the group relied on mainframe computers for the bulk of its profits. But the switch to networked PCs that rocked the industry and plunged Fujitsu into the red in 1993 led Sekizawa to embark on an ambitious change of course.

Although Fujitsu was badly hurt by the downsizing to PCs and networks, Sekizawa recognised the trend as an opportunity. He saw that Fujitsu had strengths in a unique combination of operations – from computers, telecommunications equipment and devices to systems integration and online services – that could help it leap to a position of leadership with the global spread of networks.

"The Internet has multiple meanings for Fujitsu's businesses," Sekizawa says. The rapid spread of the Internet relates directly to growth in demand for Fujitsu's provision of access to the Net, its PCs and telecoms equipment and its systems integration expertise, he says.

During his tenure, Fujitsu has strengthened its involvement in PCs, telecoms, systems integration and online content. Although mainframes have hardly been abandoned, PCs now bring in almost as much as mainframes in revenue.

In addition to refocusing Fujitsu's businesses, Sekizawa saw that Fujitsu needed radical changes to attain global, rather than Japanese, standards of excellence. An engineer by training, he recognised that the company would have to give up its preoccupation with proprietary technology. The proprietary platforms Fujitsu engineers prided themselves on have been exchanged, with great grief and at tremendous cost, for open platforms.

Sekizawa has also torn down layers of management, streamlined the corporate decision-making process, introduced greater emphasis on merit and productivity in the pay structure, cut the payroll by 10 per cent to slightly less than 47,600 through natural attrition, and started a venture business scheme to encourage staff to set up their own businesses. Product development is now driven more by the market than the company's engineers. And cost control has been tightened. "We need to analyse costs even down to the 100 yen level," Sekizawa says.

When he ordered Fujitsu staff to brush up their English skills by taking English competence tests, he sent ripples through Japan's business community.

Further, Fujitsu outraged the industry by an assault on the Japanese PC market which triggered protests of dumping, but the company leapfrogged from fourth to second place in the market in a year.

Sekizawa's changes, mild by western standards, have seemed ruthless to those who benefited from Japan's ritual of consensus-building, the system of seniority-based pay and lifetime employment that had come to be taken for granted at large, blue chip companies such as Fujitsu.

His cutting sense of humour and his open criticism of staff make for a style that does not charm in a country preoccupied with decorum and face-saving.

But whatever unhappiness he has stirred seems a small price to pay for the turnaround Fujitsu is poised to achieve. Meanwhile, Lou Gerstner, president of International Business Machines, has had to cut many jobs to bring about a recovery.

Fujitsu's plan to make its mark on the global stage will be far more difficult than bettering IBM's turnaround. But it is a measure of Sekizawa's ambition that the company's reference point is no longer its long-time arch-rival, but leaders in each of the segments Fujitsu plans to excel in, such as Microsoft and Sun. Asked whether he thinks he has a more difficult job than Gerstner, Sekizawa countered: "Gerstner? Who is he?"

Michiyo Nakamoto

FT GUIDE TO: THE BUSINESS OF SPORT

Is sport really a business?
Yes, and more so than ever before. Traditionalists may decry the influence of commercial interests but it is huge business worldwide for companies of all sizes. Just ask Nike, BSkyB and Coca-Cola, three big corporations which invest hundreds of millions of dollars in sport every year.

How much is the business of sport worth?
No one knows because it is impossible to measure accurately the economic activity generated by sport. However, a study by the Georgia Institute of Technology has calculated that in the US sport generated $152bn (£93.8bn) of business in 1995, making it the 11th largest industry in the country. The study also found that sport generated $52.1bn in wages and salaries and more than 2.3m jobs that year. To give some idea of its scale, the industry is larger than the motion picture, radio/television, and educational services industries combined.

How on earth did the Georgia Institute come up with these figures?
By calculating the market value of the country's output of sports-related goods and services, or what it calls the gross domestic sports product. The institute divided sport into three sectors: entertainment and recreations, which includes professional team sports and individual participation and all associated spending; products and services; and support organisations such as leagues and marketing groups. The end result was the amount of sports business conducted.

But surely that's an exaggeration?
Actually it may be an understimate. The Georgia Institute went one step further and, using an input/output model of the national economy, calculated sport's total economic "presence" in the US. According to its figures, the multiplier effect meant an estimated $259bn in additional industrial activity was generated by sport in 1995.

So which sport is the biggest in business terms?
No contest: it's association football, or soccer as it is known outside Britain. The self-proclaimed "world game" is the most popular sport on earth, and even previously soccerphobic countries such as the US and China are being won over. FIFA, football's governing body, estimates the sport generates $200bn of economic activity a year, and the month-long World Cup finals draws the largest audience of any televised event in the world. In 1994, the cumulative audience was 30bn people.

But why has sport become such big business?
In the developed and developing economies people now have more time and money to spend participating in and watching sport. Companies are only too happy to feed that growing demand, whether it be the clubs that play the professional game, the television companies which broadcast it, the manufacturers which produce the equipment and clothing, or the companies that advertise their products through a sporting medium because of its healthy, positive and glamorous image.

But surely most of the people who buy Nike shoes or Adidas sweatshirts wear them as fashion, not sporting, accessories?
Yes, that may be true, but the fashion appeal of sportswear – which itself is a relatively recent phenomenon – is a by-product, admittedly a highly profitable one, of a business that sells its products as sports clothing. The message of their advertisements is not that sportswear is fashionable or looks good, but that it helps you play the game better, harder, faster. Nike, in particular, hates to see its products tagged with the fashion label, and insists everything it sells is designed and marketed for use in a sporting activity. Not everyone believes them, of course.

So is the business of sport really just all about the Olympics, the top professional teams, star players, and huge TV deals?
Not at all. Participation in sport – everything from fishing, cycling and golf to weekend football games in the local park – generates more business than the consumption of professional sport. Or at least it does according to the Georgia Institute, which said that 68 cents of every dollar of spending on sport in the US is related to personal participation and recreational activities.

Can business be bad for sport?
Yes, some people argue that commercial influences can be detrimental to sport. Take the Atlanta Olympics, which were estimated to have generated several billion dollars for the local economy last summer but which were widely criticised as being over-commercialised. The pervasive influence of the corporate sponsors and the big sports goods manufacturers devalued the Olympic ideal, said the critics, and persuaded the International Olympic Committee that future games would be less obviously commercial.

Can sport be bad for business?
You bet. Sport is by no means immune to financial disaster. Take the Olympics, again. The cost of staging the 1976 games almost bankrupted the city of Montreal. And on a slightly smaller scale, the London football club Millwall recently called in the administrators to stave off its creditors, leaving the shareholders with shares that are, for the time being, virtually worthless.

Patrick Harverson

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

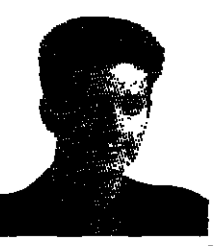
1/2 hour period ending	Provisional Price for Trading on 23.02.97 Pool purchase price £/MWh	Final Prices for Trading on 28.01.97 Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.68	11.68	11.68
0100	15.70	11.87	13.78
0130	16.00	24.89	26.98
0200	16.00	24.89	26.98
0230	11.65	11.68	13.77
0300	11.65	11.67	13.76
0330	11.65	11.67	13.78
0400	11.65	11.68	11.68
0430	11.62	11.66	11.66
0500	11.61	11.65	11.65
0530	11.61	11.61	11.61
0600	11.57	11.59	11.59
0630	11.60	11.60	11.60
0700	11.60	11.60	11.60
0730	11.60	11.60	11.60
0800	11.59	11.58	11.58
0830	11.61	11.58	11.58
0900	11.61	11.59	11.59
0930	11.62	11.64	11.64
1000	11.66	11.67	11.67
1030	11.84	11.68	11.68
1100	13.24	11.87	13.96
1130	13.24	17.26	19.35
1200	22.88	57.11	59.20
1230	22.88	57.11	59.20
1300	22.88	17.70	19.79
1330	22.88	17.26	19.35
1400	13.24	11.87	13.96
1430	11.67	11.87	13.96
1500	11.65	11.68	11.68
1530	11.65	11.67	11.67
1600	11.65	11.67	11.67
1630	11.65	11.68	11.68
1700	11.68	17.22	19.31
1730	12.94	17.96	20.05
1800	14.40	35.64	37.73
1830	33.42	35.64	37.73
1900	33.42	35.64	37.73
1930	32.24	24.94	27.03
2000	25.92	24.94	27.03
2030	22.88	17.96	20.05
2100	14.40	17.96	20.05
2130	14.40	17.96	20.05
2200	12.59	17.96	20.05
2230	11.84	11.87	13.96
2300	11.84	11.87	13.96
2330	11.65	11.68	11.68
2400	11.62	11.67	11.67

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.89/MWh becomes 1.889p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:15pm Monday to Friday.
©Energy Settlements and Information Services Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 24.02.97 Pool purchase price £/MWh	Final Prices for Trading on 27.01.97 Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.84	11.68	11.68
0100	11.84	11.87	13.37
0130	22.88	11.87	13.37
0200	22.88	11.87	13.37
0230	11.84	11.87	13.37
0300	11.87	17.70	19.21
0330	11.87	17.70	19.21
0400	11.84	11.87	13.37
0430	11.65	11.68	11.68
0500	11.65	11.67	11.67
0530	11.62	11.66	11.66
0600	11.62	11.65	11.65
0630	11.70	11.68	11.58
0700	20.03	18.87	20.38
0730	29.68	22.91	24.42
0800	29.68	27.62	29.13
0830	20.27	37.19	38.70
0900	34.10	38.00	39.52
0930	27.11	37.22	38.75
1000	52.29	70.77	72.30
1030	52.29	70.77	72.30
1100	34.11	38.04	39.57
1130	34.11	38.05	39.58
1200	34.11	70.77	72.30
1230	34.11	70.76	72.29
1300	24.69	70.73	72.24
1330	24.69	30.14	31.65
1400	24.69	35.00	35.00
1430	24.69	28.33	29.84
1500	24.69	28.33	29.84
1530	24.69	28.33	29.84
1600	24.69	27.66	29.18
1630	29.69	29.00	30.78
1700	36.83	52.53	55.76
1730	36.87	88.71	92.40
1800	41.14	88.59	92.18
1830	50.69	58.86	61.39
1900	51.68	46.80	48.37
1930	51.30	42.15	43.73
2000	44.77	41.95	43.48
2030	38.78	40.22	41.73
2100	27.11	27.42	28.93
2130	27.11	27.38	28.89
2200	20.80	22.62	24.12
2230	16.37	22.62	24.12
2300	12.00	18.87	20.38
2330	11.86	18.87	20.38
2400	11.70	12.00	12.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.89/MWh becomes 1.889p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:15pm Monday to Friday.
©Energy Settlements and Information Services Limited



Robert Chote • Economics Notebook

Liquidity solution remains fluid

Member countries disagree on how to expand the IMF's capital base

Record lending to Russia and Mexico has prompted a sharp deterioration in the International Monetary Fund's finances over the past couple of years. Many member countries believe that its $210bn (£130bn) capital base needs expanding, but by how much – and under what conditions – remain controversial questions.

In the fiscal year ending April 1996, the fund agreed to lend $26bn through its so-called stand-by and extended arrangements. Dominated by the $10bn loan agreement with Russia, this was 30 per cent more than it committed at the height of the 1980s debt crisis. Total outstanding lending rose more than $7bn last year to a record $58bn.

These demands abruptly reversed a steady improvement in the IMF's financial position which started in the early 1980s. The fund assesses its financial muscle by comparing its liquid resources (the stock of "usable" currencies it has available to lend) with its liquid liabilities (the sums held by the fund which member countries can withdraw automatically to use as part of their foreign exchange reserves).

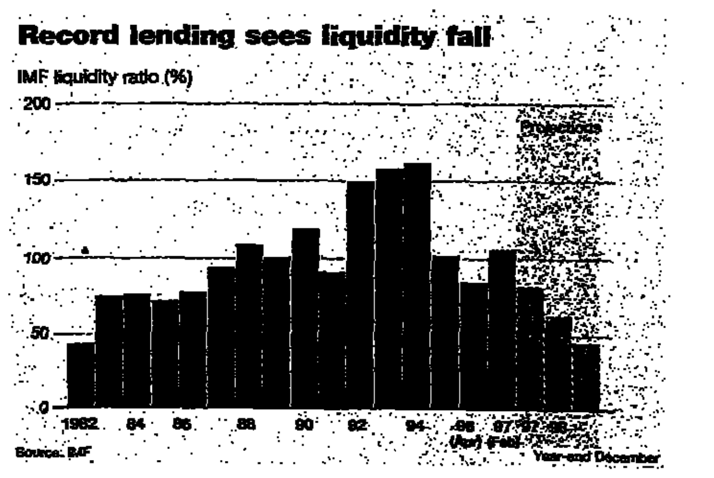
The ratio of liquid resources to liquid liabilities rose from less than 50 per cent in 1982 to well over 150 per cent in 1994, but by April last year it had fallen to less than 90 per cent. Michel Camdessus, the IMF's managing director, warned at its annual meeting last autumn that the liquidity ratio was set to fall below 70 per cent during 1997.

"There is a 'must' in the management of the IMF, which is to keep permanently a sufficient degree of liquidity so that all our central banks do not have any doubt about the liquidity of their claims on us," he argued. "Since the origin of the fund, we have felt that our liquidity ratio needs to be kept very high. When it approaches 70 to 80 per cent, we are crossing a kind of red line."

Camdessus acknowledged that the IMF was still far from a financial crisis. But he is keen to see rapid agreement on the basic principles of a capital increase, because national parliaments will take two or three years to approve it. The managing director hopes to get a deal by the fund's meeting in April, but some countries – notably the US – seem in no great hurry.

The impetus for an early agreement has been reduced somewhat by a sharp improvement in the IMF's liquidity over the last few months. Mexico has repaid some of its borrowing early and, more importantly, Italy and Sweden have joined the list of more than 30 countries whose currencies the fund deems usable for lending. This follows a strengthening in their balance of payments positions.

As a result, the liquidity ratio has jumped to almost 110 per cent. But, if lending continues at the rate of the past five years, this is still expected to decline significantly. Officials predict the ratio will stand at a little over 80 per cent at the end of this year, 60 to 65 per cent at the end of 1998 and less than 50 per cent a year later. With liquidity that low, the fund's European creditors may become nervous about their ability to access foreign exchange reserves instantly should the adoption of Europe's single currency not go smoothly.



The fund's capital base is determined by the "quotas" which member countries pay as their subscriptions. A country's quota determines its voting power and the amount of financial assistance it has access to.

The size of a country's quota reflects its size and importance in the world economy. This is assessed initially using complex statistical formulas, although the final outcome is also subject to political horsetrading. At present, quotas vary from $38bn for the US to $3.6m for the Pacific republic of the Marshall Islands. Countries pay 75 per cent of quotas in their own currency and 25 per cent in usable currencies or "special drawing rights".

The size and distribution of quotas are reviewed every five years, and the 11th review is currently under way. Camdessus has called for a doubling of quotas, arguing that since 1985 the fund's capital has shrunk by more than 70 per cent relative to the size of the world economy.

The managing director is supported by some developing countries, but the industrial nations will not let him get away with an increase two-thirds larger than any other in the fund's history. They argue that many countries have greater and more secure access to private capital markets, while recent agreement on a $35bn emergency credit line gives the fund scope to deal with future Mexican-style crises.

Members of the IMF board have asked for illustrative calculations of quota increases ranging from 25-100 per cent. The UK, for example, favours about 30 per cent, but Germany would be content with a larger number. Crucially, however, the US has yet to make its position clear.

With many US legislators inherently ill-disposed to international bureaucracies like the IMF, the Clinton administration knows it will be tough to secure approval from Congress. But this does not mean the US will advocate an increase as small as that proposed by the UK, not least because Congress would be furious if it proved insufficient and the administration was forced to return quickly cap in hand.

US legislators are also likely to be less concerned with the precise size of the quota increase – within limits – than with the general principle. So the administration will have to show it is putting pressure on the fund to justify and improve its activities.

The IMF board must also decide how to distribute any quota increase between member countries. This always involves a delicate balancing of national sensitivities, but the result should be quotas which reflect countries' relative economic strength more than they do now.

With European monetary union looming and the possibility that higher US interest rates or a Wall Street crash could disrupt capital flows to emerging markets, early agreement on the size and distribution of the quota review would be welcome. When the dust has settled, an increase of between half and two-thirds looks both likely and sensible.

MANAGEMENT

A black belt in quality

Tony Jackson reports on the unforgiving demands of 'six sigma' process controls

When the UK engineering group Siebe announced recently it was adopting a so-called "six sigma" programme, the news caused little remark. To those who had never heard of six sigma, it was a typical management buzzword. To those who had, it was merely one of several approaches to quality control.

But there is something slightly special about six sigma. Quality programmes under the six sigma banner absorb much time and money at such leading US companies as Motorola and General Electric. Siebe's announcement, in fact, was partly a rhetorical flourish: an application to join a world elite of super-efficient manufacturers.

The term six sigma (see below) is one familiar to statisticians. In practical terms, it means reducing the defects in a process to just over three per million. It is thus a ferociously demanding target for quality control.

The term was thought up 10 years ago by the US electronics group Motorola, based on Japanese methods of total quality management. The approach is particularly suited to the high-volume, high-precision electronics industry.

For example, a mobile phone such as Motorola produces might contain 400 components. If the company operates to two sigma – 45,000 defects per million – on each part, the cumulative odds of the phone being defective are far too high.

General Electric is now in its second year of applying six sigma across its businesses. Last year, it spent $200m on the initial parts of the programme. This year, it aims to spend $300m (£185.1m) and expects cost savings in the year of $400m-$500m: that is, a profit of $100m-$200m.

According to Roy Davis, European head of operations management for the consultants Arthur D Little, six sigma is part of a general shift in quality management. Where companies once measured quality by checking the final product, they now aim to control the processes at the outset. In the jargon, they have moved from "acceptable quality levels" to "statistical process controls".

"Six sigma," Davis says, "is just the next step. It means tightening up the tolerance on processes to incredible levels."

One company applying six sigma is the diversified US manufacturer Allied-Signal. Its chairman, Larry Bossidy, says most of the company's plants now operate in a range of 3.5-4 sigma.

The group has three so-called model factories, in which all the processes have been raised to the six sigma level: one in South Carolina, one in California and one in Arizona. The fourth will be a turbocharger plant in France.

"The way you do it," Bossidy says, "is to send in teams brought together from different functions. It's a cellular process, so you're trying to reach all the processes in the factory, including finance and human resources. When you've purified all the processes, you automate the whole thing. That gives you the metrics to see if you're slipping back."

Six sigma is by no means confined to manufacturing. GE Capital, the financial services division of General Electric, applies it to processes ranging from billing and the tracking of assets to various kinds of customer service.

Denis Nayden, president of GE Capital, says that in practical terms the hard part of applying six sigma is compiling real data. "It's highly dependent on the data you have," he says. "And given all the businesses we're in, the data are all different."

In practical terms, this approach means defects must be reduced to just over three per million

Thereafter, he says: "The real question is whether you can put the right paradigm in place, so the process has fewer moving parts and less things to break down. It's very important to change the process fundamentally. You need to change the whole behaviour of the company, to become more responsive to the customer."

This last part is crucial. GE Capital surveys its customers regularly – some weekly, some monthly or quarterly, depending on their business – to check its performance. "It's very important that the customer is engaged in this," Nayden says. "We use a score card, whereby customers identify what's going wrong and what we should focus on."

The cost of applying six sigma, he says, falls into three main parts: committing resources to so-called black belts – staff trained in statistical techniques – the expense of training, and the ongoing process such as the customer surveys. "We broke even last year on what we spent," he says. "We expect a significant return this year."

At Siebe, the same emphasis on the customer crops up immediately. Jim Mueller, president of the company's temperature and appliance controls division, says: "Customer satisfaction is very important for us, especially since we're mostly an OEM [original equipment manufacturer]. Someone else's name goes on the product, so if it fails, someone else gets a bad reputation."

Siebe's adoption of six sigma, he says, follows the introduction of a lean manufacturing programme two years ago. "We had to take inventory out of the system," he says. "When you do that, you have to have reliable processes. So going to six sigma, is part of the lean manufacturing puzzle."

Siebe's goal is a 25 per cent reduction in what Mueller calls the cost of quality: money spent on scrap, rework, inspection and warranty. "If we can reduce our scrap and rework enough," he says, "we can ultimately reduce inspection and warranty costs. If one of our divisions spends 10 per cent of sales on quality, we aim to reduce that to 7.5 per cent."

Siebe has two plants in the UK and Italy, making temperature controls for refrigerators, with a defect rate of 10-16 per million: that is, almost at the six sigma level. One plant in Japan, which makes valves for air conditioners, is there already.

This is an important reminder that the six sigma approach is not the only route to quality. The Japanese plant has reached this level of efficiency by its own route, after years of applying quality techniques of the kind pioneered by Toyota. As Mueller candidly puts it: "I don't know if six sigma is particularly distinctive. We could have selected other techniques and called it anything we liked."

By the same logic, six sigma is no good on its own. As Roy Davis of Arthur D Little says: "Your company has to be applying total quality management already, including customer satisfaction, management commitment and employee involvement. The danger is that it gets applied as a panacea, as the latest fad. If you don't believe in TQM, six sigma won't do anything for you."

Standards and deviations

Sigma is the symbol for the statistical concept known as the standard deviation. Suppose we measure a group of men and work out their average height at 5ft 10in. On further calculation, the standard deviation for the group is 3in.

This means that 68 per cent of the men are in a range 5ft 7in to 6ft 1in: that is, within one sigma either way. Two sigmas – between 5ft 4in and 6ft 4in – take in roughly 95 per cent. Six sigmas exclude everyone except the odd giant and midget.

Now, suppose you make tin plate 1mm thick. Your customers say they are satisfied with a variation of 0.1mm either way. You then check the proportion of your output which falls within that range.

Suppose it is 95.5 per cent. That might seem not bad going. But it is only two sigmas: that is, 45,000 defects per million. From there to six sigma – 3.4 per million – is an enormous jump.

Applying six sigma to your business involves gathering two kinds of information: what your customers want, and what your output consists of. The first is largely done through surveys. The second involves breaking the work of the organisation down into discrete processes, then measuring the defect rate of each.

Though the approach has its origins in manufacturing, it is also applied to service functions, such as the filling in of order forms. It is thus used as a check on all the steps which lead to the final product.

A large part of the cost comes in the sheer quantity of measurement. For example, in the earlier example of men's height, calculating the standard deviation involves noting down the difference between the height of each member of the group and the mean.

A common application of the method is to train some of the workforce as so-called "black belts", teaching them advanced statistical techniques. These workers then spread the method to individual plants or offices.

According to the Six Sigma Academy of Phoenix, Arizona, the average company operates to around four sigma. It is claimed that the cost to such companies of fixing defects, internally and externally, averages about 10 per cent of turnover.

TJ

John Brown and Andrew Hirsch: publish 16 titles including Viz comic

PARTNERS

John Brown

John Brown, 43, founded John Brown Publishing in 1987, after negotiating a deal to take the comic Viz and Hot Air magazine from his previous employer, Virgin Books. Andrew Hirsch, 38, became a partner in 1992. They publish 16 titles including Fortean Times, Classic FM and Gardens Illustrated. Turnover last year was £12m.

John: "I was impressed the moment I met Andrew. He was good at selling, but not in an obnoxious, pushy way. I don't like the slick, devious types. Also, he was wearing a green suit, which was the right sort of touch for me. We share a sense of humour and both think Viz is incredibly funny. I would find it hard working with a man who didn't find it funny. After all these years, it can still reduce me to uncontrollable fits of laughter.

Andrew's very good at ignoring hysterical people, particularly me. I can get very upset about small things, like a client not paying a bill. Even if it's for an insignificant amount, I'll go bonkers, whereas Andrew will put it in perspective. He'll come up with intelligent comments and manage to placate me without me knowing I'm being placated.

He can be thoughtless and rude to the staff. Quite often it's justified, but the problem comes when he takes two words to tell them to pull themselves together, rather than 30, which is more diplomatic.

The business has been miles better since he joined. About two years ago he became managing director of the contract division, which meant I could delegate a large chunk of the publishing and concentrate on expanding the business as a whole. It also means I can go holiday without gluing myself to the phone. Whatever problems arose, I know he'd be able to handle them appropriately.

I think that's the key to any expanding business, having someone you can trust and knowing that they're doing things the way you like."

Andrew: "In my first meeting with John I was trying to look sharp when he suddenly produced a needle and thread form his pocket and started sewing a button on his jacket. I'd just left a very corporate company, so it was all a bit of a culture shock. I've since learned that he's got a thing about pulling off loose buttons. It doesn't matter who they're hanging off.

John is slightly off-kilter, which is a positive trait. I think he's found it hard adapting to an expanding company. When I joined there were only 17 of us and we've now got 80 employees. He forgets and sends horrendous e-mail messages to the office without thinking that people might be new and not know his sense of humour. He can be very black and white about things. I'm the one who points out the shades of grey.

When someone joins he'll be desperately excited about them for the first three days. 'What do you think? What do you think? Aren't they wonderful?' he'll keep saying. Three weeks later he'll be telling me they're dreadful. I'll say: 'No John, they're fine, you've simply built them into something they're not.' He's one extreme, or the other, which is why I deal with the clients.

John likes to have complete control over his titles and doesn't like criticism. When you deal with contract magazines, you're publishing for someone else so you expect the client to have an opinion. My greatest asset is having a thick skin. His greatest talent is knowing what will sell on the news-stands."

Fiona Lafferty

Can anyone direct me to the organ grinder?

Lucy Kellaway

Do you consider yourself a manager? If so, it appears you are obsolete. The great Peter Drucker has announced that he no longer considers the term "manager" appropriate, and prefers to use "executive" instead.

In *The 21st Century CEO*, published by consultants CSC Index, he says a manager is someone who has others working for him. This, he says, is far too narrow a definition for the modern organisation, in which powerful people may be all alone with a telephone, seeking to influence people over whom they have no direct control. His is not just a semantic point, instead he is anticipating the organisation of the future.

Far be it from me to take issue with Drucker, who has been thinking about these matters for 50 years and is still a giant among gurus. But there is a danger in getting too excited about a very different future that faces managers (as I continue to call them), when it seems more likely that the near future will be pretty much like the present.

As far as I can tell, the most visible change is not in what management *is*, but in its superficial trappings. A case in point is funky advertising agency Howell Henry Chaldicott Lury, which was featured in the FT last week. In that company they have gone one step further, and have not only ditched the title manager, but have stopped giving anyone job titles at all. No doubt the idea is to make the company flatter, more fluid, more friendly.

But it strikes me as a lame effort. As long as you have someone who is in effect running the show, not giving them a title is not merely nonsensical, it is inconvenient to outsiders who need to know whether someone counts or whether he doesn't. The Rolex alone does not speak loud enough.

If I were one of the ultra-hip recruits to this company I might tolerate the hot desking and the compulsory moving of work spaces every six months. I might even turn a blind eye to the little signs that say: "Romping area". But I would like to be told in no unequal terms who was meant to be my boss and who was running the whole company.

George Bain, the head of London Business School has been ousted by a red knight, a cello and an abacus. Last year the annual report from this leading institution contained a big picture of the principal, slightly smaller ones of his colleagues and a remarkable shot of Martin Sorrell, chief executive of WPP, the advertising and market servicing group, which gave him the appearance of someone on psychedelic drugs.

This year the text is illustrated with glorious photographs of cellos and chess pieces. A few bars of Rachmaninoff's *Third Piano Concerto* are reproduced, as well as a few chess moves that appear to have been picked randomly from the middle of a game. Not a mug shot in sight. It is all very nice, but what does it mean?

The report keeps us guessing: there is a quote by Stockhausen about musical form being life-form, and one from Hartsow (whoever he might be) about the impossibility of attaining perfection in chess. It is just as well they did not try to press the point: music and management are not particularly similar, despite the present craze for using music as a management tool and metaphor. Neither are management and chess. Instead the LBS prose is as pedestrian as ever, taking as its themes technology, accomplishment and the importance of being a global player. It's not Proust, and, thank goodness, it is not trying to be.

Harvard Business School Publishing has thoughtfully sent me a CD-Rom that promises to help me find a job in management consulting. As soon as I work out how to use a CD-Rom I will be able to listen to 200 live-action video clips offering "first hand insight into what this field is really like". I have every hope of getting a good job, having secured an excellent score in the accompanying questionnaire, which came on a more accessible sheet of paper. You may like to try part of it yourself:

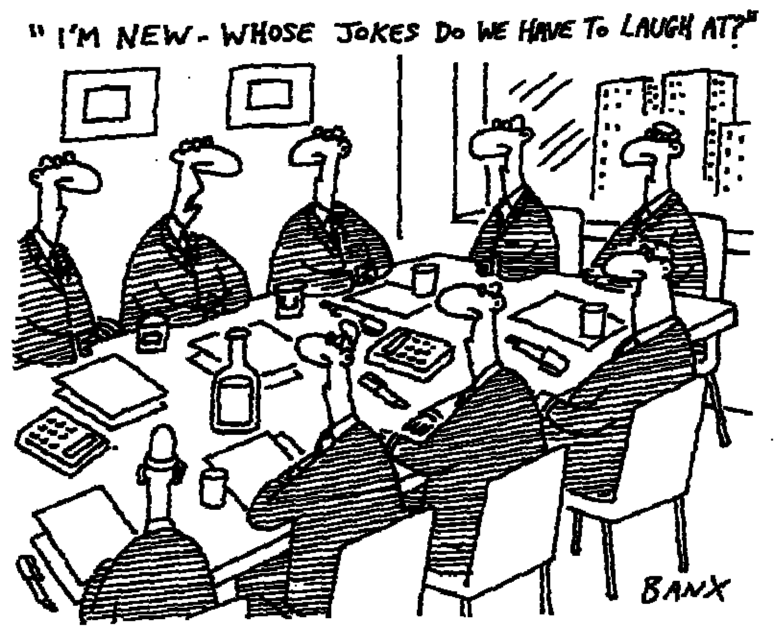
Are the following true or false?

1 "A typical question consulting firms ask their job candidates in an interview is: 'How many ties are sold annually in the United States?'"

2 "A typical first assignment for a newly hired management consultant right out of school would be to propose a 12-month strategy for the new CEO of a major consumer products company."

Obviously, the first is true - it's just the sort of clever-dick question they would ask. The second is also true, alas. One might hold the profession in higher regard were it not.

"I'M NEW - WHOSE JOKES DO WE HAVE TO LAUGH AT?"



THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Burton Group 8% Unsec Ln 1996/2001 £4.00
Canadian Imperial Bank of Commerce Sb FR-Cap Debs 2085 $298.70
Chugoku Electric Power 8% Nts 2000 $400
Denmans Electrical 2.1p
Fujita Inv Gtd FRN 1998 $1459.79
Hampson Industries 0.6p
Lloyds Bank Series B Variable Sb Nts 1998 £168.87
Midland Bank Sb FRN 2001 £84.18
Morgan Stanley Equity (C.I.) Pf Quarterly-Pay relating to Legal & General 11.740625p
Municipality Finance 11.55% Gtd Nts 1999 Fmk115500
Natl Grid 5.5% Bds 2001 $55
NatWest Bank Prim Cap FRN Series C $142.19
Do Undated Variable Rt Nts £185.10
New London Capital 1p
NFC 4.6p
Seiyu Europa 5.65% Y2825000
Titon 3.4p
Tokyo-Mitsubishi Intl Tranche A Sb FRN 2001 $14909.44
Do Tranche B Sb FRN 1999 $14883.33
Westpac Banking Sb FRN 1997 $304.32
Yorkshire Water 10.2p

■ **TOMORROW**
Allied Domecq 10⅝% Bds 1999 £531.25
Aon Corpn $0.36
Bristol & West Bldg Scty FRN 1999 £1,640.14
Cardiff Automobile Receivables Securitisation (UK) No. 3 Class A FRN 1998 £169.86
Columbus 0.1p
CS First Boston Finance Gtd Sb FRN Aug 2003 $28.08
Daikin Industries 6.35% Bds 1999 Y635000
Eaton Corpn $0.40
Nippon Sanso 6.4% Nts 1997 Y640000
Do 6.4% Nts 2000 Y640000
Sweden (Kingdom of) 9¼% Bds 1998 $462.50

■ **WEDNESDAY FEBRUARY 26**
Treasury 10% 2001 £5.00
London International 0.7p
LPA 0.97p
Marubeni Intl Finance 6.4% Series A Bds 1997 Y6400000
Merrill Lynch & Co $0.30
New Wits R0.17
State Bank of New South *Wales 12¼% Nts 2001* A$122.50
Vogelstruisbult Metal R0.25

■ **THURSDAY FEBRUARY 27**
Bank of Montreal FRt Debs Series 10 1998 $0.40
Treasury 9¾% 2002 £4.875
Burtonwood Brewery 1p
Commonwealth Bank of Australia Und FRN (Ex into dated FRN) (Feb 1989 Iss) $293.76
Daiei 6.4% Bds 2002 Y640000
Dwyer Estates 1p
Lonrho Finance 6% Gtd Cv Bds 2004 £30.00
MBL Finance (Curacao) 7⅜% Bds 2002 $737500
Do 8¼% Bds 2007 $825000
Toray Industries FRN 1997 Y17888

■ **FRIDAY FEBRUARY 28**
Allied Irish Banks Und Variable Rt Nts $170.83
Arabis Cm Pf 5.75p
Bankers Inv Tst 1.27p
Bank of Nova Scotia Sb FRt Cap Debs 2085 $297.01
Beales Hunter 2.9p
Cable & Wireless 3.4p
Cater Allen Equity Grwth Fund *Partg Pf 8p*
Cater Allen Gilt & Fixed Inc Fund Partg Red Pf (Gilt Inc Fund) 9p
Do Partg Red Pf (High Yield Gilt Fund (2000)) 20p
City of Oxford Inv Tst 1.3p
Contra-Cyclical Inv Tst 2.25p
Denmark (Kingdom of) FRN 1998 £158.72
Derby Tst 13.952p
Dumyat Inv Tst 0.49p
Ecclesiastical Insurance 13% Deb 2018 £6.50
Eurotherm 5p
Exmoor Dual Inv Tst 1.65p
Fleming Geared Inc & Assets Inv Tst 0.9p
Gartmore British Inc & Grwth Tst Geared Inc 2.1p
Do Units 2.1p
Gartmore Smaller Cos Tst 5% (3.5% net) Cm Pf £1.75
Geared Inc Inv Tst 2p
Gibbon Group 7% Cv Cm Red Pf 3.5p
Glasgow Inc Tst 1p
Goldsborough Healthcare 2.97p
Goodhead Group 0.1p
Great Western Financial $0.25
GT Japan Inv Tst 0.4p
Halifax Bldg Scty Collared FRN 2003 £350.96
Henderson Highland Tst 1.55p
Hill Samuel UK Emerging Cos Inv Tst 0.95p
Homeloans (No.2) A1 Mort-bckd FRN 2028 £105.71
Do Class A2 Mort-bckd FRN 2028 £163.79
Do Mezz Mort-bckd FRn 2028 £177.75
Honda Motor 5¼% Cv Bds 1998 $131.25
Do 5.5% Cv Bds 1997 $137.50
Irish Permanent Treasury Gtd FRN 1999 £16.15
Ivory & Sime ISIS Tst Cv Annuity 6.98p
Jasmin Cv Unsec Ln 1999 61.3699p
Lloyds Bank Prim Cap Und FRN (Series 2) $143.77
Do Prim Cap Und FRN (Series 3) $294.71
Lloyds TSB Variable Rt Sb Nts 2003 £172.49
London & St Lawrence Inv 5% (3.% net) Cm Pf 1.75p
Maple Mortgage Securities No.1 Class A1 Mort-bckd FRN 2030 £491.80
Do Class A2 Mort-bckd FRN 2030 £1,647.90
Do Class B Mort-bckd FRN *2030* £1,740.14
Marubeni Intl Finance 7.45% Reverse Dual Currency Yen/ A$ Bds 1999 A$659.059035
Mitsui O.S.K. Lines FRN 1997 Y19167
Morgan Grenfell Und Prim Cap FRN $303.33
NatWest Bank Prim Cap FRN Series C $142.19
OLIM Convertible Tst 4.5p
Do Units 13.5p
Orbis 0.3p
Parkland 4.2% Cm Pf 2.1p
Prowting 14.5% Cm Pf 7.25p
Ragby FRN Aug 23 1997 $14610.56
Do FRN Oct 31 1997 $4384.72
Do FRN 1998 $14610.56
Reliance Security 1.75p
Repeat Offering Securitisation Entity Funding No.1 Class A1 (a) Asset-bckd FRN 2001 $1,410.50
Do Class A1 (b) Asset-bckd FRN 2001 £1,622.96
Do Class A2 (a) Asset-bckd FRN 2001 $1325.33
Do Class A2 (b) Asset-bckd FRN 2001 £1513.94
Do Class A3 (a) Asset-bckd FRN 2001 $1491.39
Do Class A4 (a) Asset-bckd FRN 2001 $1491.39
Do Class A4 (b) Asset-bckd FRN 2001 £1702.74
Do Class A5 (a) Asset-bckd FRN 2001 £1554.58
Do Class A5 (b) Asset-bckd FRN 2001 £1765.07
Do Class B Asset-bckd FRN 2001 $1976.99
Royal Bank of Canada FRt Debs 2005 $42.78
RPH 4.5% Unsec Ln 2004/09 £2.25
Do 9% Unsec Ln 1999/2004 £4.50
St David's Inv Tst Inc SHS 1p
Do 2p
Sumitomo Bank Intl Finance FRN Aug 2006
Do FRN Aug 2007 $3124.96
Temple Bar Inv Tst Cv Unsec Ln 2002 £3.00
TMC P.I.M.S. Class Nts Issue 1 Aug 2030 £164.60
TMC P.I.M.S. Seventh Financing Class A Nts Issue No.8 Aug 2031 £39.47
Do Class B Nts Issue 8 Aug 2031 £178.81
Total SYstems 0.5p
TR City of London Tst 1.54p
Do 20% (14% net) Non-Cm Pf 7p
Do 6% (4.2% net) Cm 1st Pf £2.10
Do 6% (4.2% net) Non-Cm 2nd Pf 2.1p
TR Far East Inc Tst 7% Deb 1997/2002 £3.50
Watson & Philip *12.2p*
Do Sb FRN 2000 $43.26

■ **SATURDAY MARCH 1**
Coventry Bldg. Soc. 12⅛% Pm. Int. £60.625
Halifax Bldg. Soc. 8¾% Pm. Int. £2,187.50
Do.12% Pm. Int. £3,000
Ireland (Republic of) Ir£4.50
London (County of) 2½% Consd. £0.625
Low & Bonar 6% Cm. Pf. 2.1p
Do. 6% 2nd. Cm. Pf. 2.1p
Do. 5½% 3rd. Cm. Pf. 1.925p
Metropolitan Water Board 3% 1934/2003 £1.50
Mexico 16½% 2008 £8.25
Oldham Metropolitan Borough Council 11.25% rd. 2010 £5.625
Peninsular & Oriental Steam Navigation Co. 3½ Db. £1.75
Do. 3½% 2nd. Db. £1.75
Sainsbury (J) 8% Irrd. Unsec. Ln. £4
Sanctuary Housing Ass. 8⅝% Mort. Db. 2031 £1.9503

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
JEurocopy, Oulton Hall Hotel, Rothwell Lane, Oulton, Leeds, 12.00
Farlake, 15, Appold Street, E.C., 10.00
BOARD MEETINGS:
Finals:
Dixon Motors
Estates & General
Regal Hotel Group
Interims:
Community Hospitals
Gearhouse Group
PizzaExpress

■ **TOMORROW**
COMPANY MEETINGS:
Bradstock, Hyde Park Hotel, 66, Knightsbridge, S.W., 12.00
SEP Industrial, Chartered Insurance Institute, 20, Aldermanbury, E.C., 11.00
BOARD MEETINGS:
Finals:
Admiral Group
Capita Group
Guardian Royal Exchange
Jermyn Inv Properties
NatWest Bank
Pacific Assets Tst
Sema Group
Scottish TV
Shires Smaller Cos Inv Tst
Trocadero
Wimpey (George)
Interims:
Alumasc Group
Kleinwort High Income Inv Tst
Primadona
Sinclair (Wm)

■ **WEDNESDAY FEBRUARY 26**
COMPANY MEETINGS:
Acatos & Hutcheson, Tallow Chandlers' Hall, 4, Dowgate Hill, E.C., 11.30
Deltron Electronics, Suffolk House, Fordham Road, Newmarket, Suffolk, 12.00
Greenwich Resources, Ebbgate House, 2, Swan Lane, E.C., 12.00
PWS, 52, Minories, E.C., 12.00
BOARD MEETINGS:
Finals:
Access Plus
Brewin Dolphin Holdings
British Aerospace
Capital Shopping Centres
Commercial Union
Crestacare
Delphi Group
Fairway Group
Inveresk
ISA Intl
Mayflower Corp
Standard Chartered
Vardon
Zotefoams
Interims:
Bellwinch
Logica
Pifco Holdings
Quayle Munro Holdings
Renishaw

■ **THURSDAY FEBRUARY 27**
COMPANY MEETINGS:
Murray Emerging Economies Tst, 7, West Nile Street, Glasgow, 12.30
Warner Estate, Claridge's, Brook Street, W., 12.00
BOARD MEETINGS:
Finals:
Abbey Natl
Beta Global Emerging Mrkts Inv Tst
British Gas
BSM
Green Property
Lasmo
Lex Service
Liberty Intl
Memory Corp
Norish
RTZ Corp
Stanford Rook Holdings

■ **FRIDAY FEBRUARY 28**
COMPANY MEETINGS:
Aberdeen Tst, 10, Queen's Terrace, Aberdeen, 12.30
Bearing Power Intl, Institute of Directors', 116, Pall Mall, S.W., 11.30
Celltech, Merchant Taylors' Hall, 80, Threadneedle Street, E.C., 11.30
First Fitness, 32, St Mary-at-Hill, E.C., 11.00
Richards, Broadford Works, Marberly Street, Aberdeen, 10.00

BOARD MEETINGS:
Finals:
Braime (TF & JH)

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.
This list is not necessarily *comprehensive since* companies are no longer obliged to notify the Stock Exchange of imminent annoucements.

CONFERENCES & EXHIBITIONS

WE LOOK FORWARD TO SEE YOU TOMORROW AT:

The Euromoney International Bond Congress
25-26 February 1997
QEII Conference Centre

Lead Sponsors:	Key speakers include:
BZW	Eddie George, *Governor*, Bank of England
Commerzbank/WoodCommerz	Miguel Kiguel, *Undersecretary of Finance*, Ministry of Economy, Argentina
Deutsche Morgan Grenfell	Jeffrey Sachs, *Director*, Harvard Institute for International Development
ING Barings	
Merrill Lynch	
Salomon Brothers	
UBS Limited	
Bridge Information Systems Inc.	

A UNIQUE EVENT FOR ALL FIXED INCOME PROFESSIONALS
FOR FURTHER INFORMATION PLEASE CONTACT:
TEL: +44 (0) 171 779 8394 FAX: +44 (0) 171 779 8396

Polling and Pollsters - *can we trust them?*

THE HOUSE *magazine*

in association with BBC's ON THE RECORD

David Jordan, Editor, ON THE RECORD; **Peter Snow,** BBC; **Bob Worcester** MORI; **Nick Sparrow** ICM; **Peter Riddell** The Times; **Peter Kellner** Political Commentator; **Bill Bush** BBC Political Unit; **Colin Rallings** and **Michael Thrasher** Plymouth University; **Patrick Jay** IG *Index;* ***Simon Clare** Ladbrokes;* ***Professor Ivor Crewe*** University of Essex

QEII Centre, Westminster, Tuesday 4 March

Only a few place left - contact Clare Gordon at The House Magazine on 0171 233 1388

FEBRUARY 26
Pensions & Long Term Care - Policy Developments & Market Solutions Beyond The Election
Chaired by Ian Bowles of Price Waterhouse and Philip Warland of AUTIF this conference features Peter Lilley, Frank Field, Richard Best, Rowntree Foundation, John Plender, Edward Leigh, Baroness Turner. Price Waterhouse and AUTIF are sponsoring.
Details: Cityforum Ltd
Tel: 01225 466744 Fax: 01225 442903
LONDON

***Auditing the Dealing Room* (De-mystifying the Treasury function)**
Three day training course designed specifically for internal auditors and financial institution inspectors charged with examining the on-going activities of their Treasury operation, covering cash and treasury derivative products dealing, limits/controls, elements of accounting and dealing management information. £725.00 + VAT.
Lywood David International Ltd
Tel: UK 44 (0) 1959 565820
Fax: UK 44 (0) 1959 565821
e-mail: training@lywood-david.co.uk
London

MARCH 4 & 5
FT World Steel Conference
Organised with CRU International, the 3rd annual conference will address the major regional challenges and global opportunities currently facing the international steel sector.
Enquiries: Sarah Gibb,
FT Conferences
Tel: +44 (0)171 896 2639
Fax: +44 (0)171 896 2696/2697
LUSAKA

MARCH 4-6
HRD Week 1997 Conference
Firmly established as the premier event for everyone involved in training and development - the Conference provides unrivalled opportunity to explore the very latest trends. World class speakers, illuminating case studies and examines of industry best practice combine to provide lively debate, creative solutions *and a unique opportunity to network.*
Contact: IPD Tel: 0181 263 3434
Fax: 0181 263 3366
LONDON

MARCH 4-7
SPRING - Consumer Goods Fair/ Cosmetics, Toys, Sports, Jewellery, Food/Poznan Fashion Week
The largest organiser of trade fairs in Poland and one of the largest in Central/Eastern Europe. 15,000 exhibitors and 900,000 visitors in 1996.
Poznan International Fair Ltd.
Glogowska 14, 60 - 734 Poznan, Poland
Tel: +48 61/692592 Fax: +48 61/665827
http://www.pol/pL/mtp
ZURICH

MARCH 5-6
Investing in Russia
Following last year's sell-out conference attended by over 600 delegates, Investing in Russia '97 will cover equity and debt markets as well as corporate and institutional direct investment. Also featuring workshops on the Ukraine and different industry sectors.
Contact: Anita Aston
Tel: 0171 832 9737 Fax: 0171 832 9940
Plaza Hotel, NEW YORK

Economic Recovery in Eastern Europe and the *Former Soviet Republics:* Variations on a Theme Energy Outlook: Market Prospects and Investment Opportunities
PlanEcon, Inc. and DRI/McGraw-Hill assess the East European and FSR investment climate. Analysis will cover the Banking, Energy and Automotive industries. Poland's Professor Grzegorz Kolodko speaks *on the Economics and Politics of* Transition. Romania's Mugur Isarescu discusses Post-Election Policies. Additional talks cover the region's dynamic Electric Power Industry.
Contact: Ms. Babs Howd
Tel: +44 181 545 6212
Internet: http://www.planecon.com/conferences.html
London

Emerging Markets Funds Conference
Fifth annual conference with plenary sessions on institutional/strategic issues; concurrent country/regional workshops. Speakers from: The World Bank, IFC, Salomon Brothers, ING Baring, Regent Pacific, Barclays, W I Carr, TEB, Pioneer, Alpha, EFG Hermes, Zannex, Fund Research, Pensioenfonds PGGM, GAM. Video interviews with Barton Biggs and Mark Mobius. Keynote speakers Arnab Banerji, F&C, Michael Howell, Antoine van Agtmael, Emerging Markets Investors Corporation. Sponsor CITIBANK.
Arranged by Cadogan International & IMM
Contact: Andrew Hodsman
Tel: +44 (0)171 439 4222
Fax: +44 (0)171 287 1536
London

MARCH 6/7
Introduction to Foreign Exchange & Money Markets
Start with the basics, understand the *products and see what makes the* markets work. This highly participative training course covers traditional FX and Money Markets.
£465 + VAT 2 days.
Contact: TFL/Training Dept.
Tel: 0171-606-0084/600-2123
Fax: 0171-600-3751
LONDON

The Chartered Institute of Bankers
Banking Law Seminar: New Age Banking?
Don't miss the chance to take part in the 15th annual event to debate important developments in EMU, Electronic Crime, UK *Banking Law and Legal Aspects* of Bank Supervision. High level audience participation. Places strictly limited to 35.
For further Information and booking details contact:
Katherine McCall
Head of Administration
CIB Training
Tel: 0171 444 7117
Fax: 0171 444 7115
London

MARCH 10-21
Global Credit Analysis
An intensive two week credit seminar based on internationally regarded American banking credit assessment techniques. Delivery by experienced credit professionals. Prior knowledge of basic accounting principles and main financial statements required.
Contact: Ross Tanner - BPP Training and Consultancy
Tel: 0171 628 8444 Fax: 0171 628 7818
Email BPPTraining@compuserve.com
Central LONDON

MARCH 11
The Ethical Effect, Impacts on Business and Trade
A national conference for UK businesses to examine the growth and impact of ethical movements on finance, business practice, products and suppliers and to discuss the effect of a potential change of government on these issues. Speakers include: Clare Short MP; Michael Taylor (Christian Aid); Terry Thomas (Co-operative Bank plc) and Glen Saunders (Triodos Bank).
Contact: Neil Stewart Associates
Tel: 0171 222 1280/Fax: 1278
LONDON

Introduction to Swaps
- Interest Rate Swaps
- Off Balance Sheet
- Forward Forwards & FRAs
- Accounting Overview
- Financial Futures
- Securities & Interest Rate Swap related products
- Implications of F/X & MM to Off Balance Sheet products
- Currency Swaps
- Warehousing
- Internal Deals
- Swap Process

£495 + VAT 2 days
Contact: TFL/Training Dept.
Tel: 0171-606-0084/600-2123
Fax: 0171-600-3751
London

MARCH 13/14
Derivatives Accounting
For those wishing to understand the accounting implications of the Derivatives Products ● Interest rate Swaps ● FRAs ● Financial Futures ● Asset Swaps ● Currency Swaps ● Reinvestment Risk ● Accounting for Options ● OTC vs Exchange Traded ● Case Studies throughout. £570 + VAT 2 days.
Contact: TFL/Training Dept.
Tel: 0171-606-0084/600-2123
Fax: 0171-600-3751
LONDON

Financial Services in Anguilla
- Hosted by The Government of Anguilla
Topics addressed:
- Companies, Trusts
- Company Formation Services
- On-line Registration Facilities
- Modern Trust Legislation
- Insurance and Banking
- Limited Partnerships, Limited Liability Companies
- Hybrid Companies
- Confidential Asset Protection
- Anguilla entities in International Structures

Enquiries: Ms Robyn Lynch, Kenwright & Lynch, Solicitors, 2 Mitcham Road, London SW17 0TF
Tel: 0181 767 1211
Fax: 0181 672 0486
Grosvenor House Hotel Park Lane, London, W1

MARCH 16-19
Privatisation in Practice
The Restructuring of African State-Owned Enterprises into the Next Millennium. This Investment Summit, co-sponsored by CNN International, Business Report and Business in Africa magazine discusses the subject of privatisation from a hands on perspective.
Contact: Business in Africa Conferences,
London Tel: +44 171 737 5933
Fax: +44 171 738 3613
Johannesburg +27 11 802 4841
Fax: +27 11804 7228
Johannesburg, SOUTH AFRICA

MTN: A Vision of the Future
A unique conference on the trends driving the MTN market forward, providing the ideal opportunity to meet the key participants involved.
Sponsored by:
JP Morgan Securities,
Sumitomo Finance International,
UBS Limited.
Co- sponsored by:
The Chase Manhattan Bank,
Euroclear Operations Centre,
Moody's Investors Service.
Contact: Teresa Roncero at Euromoney Conferences
Tel: +44 171 779 8420
Fax: +44 171 779 8835
The Savoy, London

MARCH 18-19
Meeting the Year 2000 Challenge
This conference has been specifically designed to provide comprehensive solutions to the business, technology and management process issues that your company will face when developing and implementing your Year 2000 business strategy.
Contact: Mick Gaynor, Business Intelligence
Tel: 0181 543 6565 Fax: 0181 544 9020
Email: mick.gaynor@business-intelligence.co.uk
LONDON

MARCH 18/19
Understanding Treasury Derivatives
The course covers risks in treasury markets & how derivatives can be used, Currency Options, SAFEs, FRAs, Futures, Interest rate swaps & related products. For Corporate Treasurers, bank dealers, marketing executives, financial controllers, systems & support personnel plus candidates for the ACI Diploma £550 + VAT.
Lywood David International Ltd.
Tel: UK 44 (0) 1959 565820
Fax: UK 44 (0) 1959 565821
training@lywood-david.co.uk
LONDON

Activity Based Costing and Performance Management Forum
ABC, a new cost measurement and management approach, can provide an accurate economic map of the costs of a company's activities, processes, products *and customers. This half-day* forum for Senior Executives, will address the latest developments in ABC and case studies on the use of the Balanced Scorecard as a performance measurement tool.
Keynote speaker: Professor Robert Kaplan, Harvard University
Enquiries: Suzie Camille, CMG plc
Tel: +44 (0) 171 976 0066
Fax: +44 (0) 171 976 0562
London

MARCH 21
Dow Jones Telerate Invites you to FX'97
Attend the 6th annual event to debate important developments in FX Settlement, the progress towards EMU, opportunities in Margin Trading, Treasury and more. Calibrate your strategies as you meet with Treasurers, Dealers, Risks Managers and Analysts. Key contributors include EMI, Lehman Brothers, BBA, Tate & Lyle, Citibank, BZW and others.
Contact: Anita at Dow Jones Telerate
Tel: +44 (0) 171 832 9737
Fax: +44 (0 171 832 9940 or
Email: jonathan.rosies@telerate.com
LONDON

MARCH 24-26
UK Generation Workshop
A three-day intensive and interactive course designed to provide a thorough grounding in generation and related issues in the UK electricity supply industry. Organised by Power Ink in assocaition with Mott Ewbank Preece and sponsored by National Power.
Tel: 01730 265095
BRIGHTON METROPOLE

MARCH 25
Serious Creativity & Lateral Thinking in the Information Age
Dr Edward De Bono, inventor of lateral thinking, presents his acclaimed one-day seminar. Additional seminar: SIX THINKING HATS 26 March.
For further information contact Anne-Marie DeRosby at Monadnock International.
Tel: 0181 871 2546 Fax: 0181 871 3866
E-Mail: amdderosby@monadnock.co.uk
AMSTERDAM

MARCH 25-27
European Banking & Financial Forum 1997
3 day conference in which CzechPrime Minister, top international politicians and bankers (eg Michel Camdessus and Donald Johnston) will discuss relevant issues of banking and financial sector in CE Europe and CIS and their integration into western system.
Contact: EB&FF Center
Tel (+422 551481-84, fax (+422) 533032
email comenius@pha.pvtnet.cz
LONDON

MARCH 26 & 27, WARSAW
4th Central and Eastern European Power Industry Forum (CEEPIF 97)
New Investment Programmes and IPP *projects, Private Sector Participation,* Innovative Power Project Financing, Liberalisation and cooperation East-West, Updates on the Baltic Ring, Electricity Pricing Policy High Level!
Contact: PennWell C&E
Phone: *31-30-26-50 963
Fax: *31-30-26-59-928
WARSAW

APRIL 2-4
Equity Capital Markets
● Issuers, Investors and Intermediaries ● UK New Issues: Theory and Practice ● International Equity offerings ● Primary and Secondary Markets ● ADRs and GDRs ● Emerging Markets ● Regulatory Issues. 3 days £825 + VAT
Contact: Fairplace
Tel: 0171-623-9111 Fax: 0171-623-9112
Internet: http://www.fairplace.com
Email: fairplace@fairplace.com
LONDON

APRIL 3
UK Coal - Facing up to Market Liberalisation- The Sixth Coal UK/MCIS *UK Coal Seminar*
A one day seminar covering the UK coal Market from 1998, when the electricity and gas industries are opened up to full competition.
The Merchant Centre - London
Tel: (01730) 265095
LONDON

First Caribbean Hotel & Tourism Finance Conference Actions, Options, Incentives
An international event for the government and private sectors of the ACS region and for those with hotel, tourism,infrastructure, banking and investment interests there. The distinguished panel of speakers includes the Prime Ministers of Bahamas, Barbados, Jamaica, St Kitts & Nevis, Mr Robert Crandall of AMR Corporation, Mr Douglas Georga of Hyatt Hotels Corporation, Dr Ann Robinson of NAPF and Sir John Templeton. Central, investment and commercial bankers will join fund managers and the multilateral institutions in extended financial sessions. Organised by the Caribbean Hotel Association and the Caribbean Tourism Organisation in association with Cityforum of the UK. Info in the Americas: Mr Bill Moore, Director, CHA Tel: (787) 725 9139 Fax: (787) 725 9108 Info: in Europe: Mr Marc Lee, *Chairman, Cityforum Ltd* Tel: (44) 01225 466744 Fax: (44) 01225 442903
Bahamas

APRIL 7-9
Introduction to Capital Markets
● Background/Development: Domestic/ International Markets, Disintermediation, Securitisation, Participants, Regulations ● Bonds: Yields, Risk/Reward, Ratings, Fixed/Floating ● Currency and Interest Risk on Capital Market Instruments ● *Equities and Hybrids, Stock Exchange* Listings and Trading. 3 days £825 + VAT
Contact: Fairplace
Tel: 0171-623-9111 Fax: 0171-623-9112
Internet: http://www.fairplace.com
Email: fairplace@fairplace.com
LONDON

APRIL 8-9
Managing Currency Risks for Investment Portfolios and EMU: Changes & Opportunities
Global Portfolio Managers face the challenging task of dealing with muldple currencies and assessing the effects of unprecedented structural change - such as the EMU. This conference addresses these issues. Connct: AIMR in the USA:
Tel: 1(804)980-3668, ext 123
Fax: 1(804)980-3634
Internet: http://www.aimr.org
ZURICH

APRIL 15 & 16
FT World Water Conference
The FT World Water conference is a forum for high-level speakers and delegates to examine major issues facing the global water industry. Speakers include: Ismail Serageldin, *The World Bank; Jean-Marie Messier,* Compagnie General des Eaux.
Enquiries: FT Conferences
Tel: +44 (0)171 896 2638
Fax: +44 (0)171 896 2696
VIENNA

APRIL 16-17
Strategies for Communicating Change
Europe's international conference *dedicated to addressing how effective* Internal Communication Strategy impacts evolutionary and radical corporate change. World-leading experts guide you through this emerging discipline.Contact: Mick Gaynor at Business Intelligence
Tel: 0181 879 3355 Fax: 0181 879 1122
Email:mick.gaynor@businessintelligence.co.uk
LONDON

APRIL 21 - JUNE 9
FT - City Course
FT City-Course, organised by FT Conferences with City University Business School, provides an excellent introduction to the workings of the City of London as the financial and trading centre in Europe.
Enquiries: Nicholas Canty,
FT Conferences
Tel: +44 (0)171 896 2632
Fax: +44 (0)171 896 2696/2697
LONDON

APRIL 21-23 1997
Asian Oil & Minerals
Likely to prove the biggest public gathering this year of the captains of the Asian minerals, energy & power industries. Over 80 prominent speakers, including the relevant Ministers from most Asian countries. Abundant networking opportunities at this major investment conference.
Contact: Europe Energy Environment
Tel: 44-171-600 6660
Fax: 44-171 600 4044
Bali, INDONESIA

The 1997 Conference on Globalisation of the Securities Markets
The first international forum on the impact of globalisation, without question the most important issue confronting the industry today. Chaired by the secretaries general of IOSCO, ISSA & FIBV, high level speakers include Sir David Walker, Chairman Morgan Stanley Europe; Yannic Weber, Managing Director Euroclear; John Kemp-Welch, Chairman London Stock Exchange; Mark Mobius, President Templeton Emerging Markets; Dr Edgar Cheng, Chairman Hong Kong Stock Exchange; Steven M H Wallman, Commissioner US Securities & Exchange Commission, among many others.
For more information visit the conference website: http://www.globalisation.com or contact: James Harper at IFex
Tel: +44 171 483 0350
Fax: +44 171 586 4241
Olympia, LONDON

APRIL 23 & 24
EnergyMart Europe '97
Buying and Selling in a Competitive European Energy Market. For suppliers, marketers/traders and energy users (gas & electricity). Strategy & Trading, Energy marketing Revolution, Financial Risk Management, Regulation, Pricing & Management of the Grid. 44 international speakers.
Contact: PennWell C&E
Tel: 31-30-26-50-963 Fax: 31-30-26-59-928
BIRMINGHAM

BRITISH COUNCIL
THE CITY OF LONDON: BANKING, FINANCE & INVESTMENT
The seminar aims to enable bankers and others from overseas to learn about the City's institutions and activities. Topics include: familiarisation with major financial institutions and markets; presentation of key developments; in depth workshop sessions on core *financial subjects.*
Fee: £2,750 (residential)
Information:
Tel: +44 (0) 1865 316636
Fax: +44 (0) 1865 557368
E-mail: international.seminars @britcoun.org
London

Executive Courses
An intensive, practical 10 day executive programme led by experts in all aspects of international trade, *documentation, marketing,* information, risk management, insurance and transport. Structured visits, on site discussions and networking feature strongly.
Contributors include Martin Brooks, MD of FT Information, Noriko Hama of Mitsubishi, Tim Fitzpatrick of HSBC International Trade, Clive Furness of LIFFE, Vicky Pryce of KPMG and Peter Tudball, *former* Chairman of the Baltic Exchange.
Contact: Mars Lee, MD, London School of International Trade, 23 Hand Court, High Holborn, London WC1V 6JF
Tel: 44 (0)171 357 9449
Fax: 44(0)171 378 7147
London

MAY 14-15
Sharing Best Practices through Knowledge Transfer
This two day conference highlights the methods and frameworks for identifying and managing knowledge to support the implementation of best practices throughout your organisation.
Contact: Mick Gaynor, Business Intelligence
Tel: 0181 879 3355 Fax: 0181 879 1122
E.mail: mick.gaynor@business-intelligence.co.uk
LONDON

10th Annual Conference of the British Deming Association addresses *The Challenge of Change*
Improvement means change, change does not always mean improvement. We've learned this the hard way: flavour of the month, *quick fix* management and bolt-on initiatives *don't work. It's time to move on.* At this leading management conference, world-class speakers help us to understand how process management provides a framework for sustainable improvement and how to deal with the conflict arising from change.
For brochure and information:
Tel: 01722 412138
Fax: 01722 414428
E-mail: demingak@aol.com
Birmingham

MAY 20 & 21
A New Century in Publishing
This FT Conference, in association with Pira, examines the future of publishing in the emerging new media age as new players enter the market.
Enquiries: Nicholas Canty,
FT Conferences
Tel: +44 (0)171 896 2632
Fax: +44 (0)171 896 2696
VIENNA

JUNE 11-12
EUROAID 97
Business opportunities in EU funded projects in 160 countries worldwide. Conference and exhibition covering a multitude of disciplines and products. The meeting place to find your European partners bidding for EU projects worth 10,000 million ECU per year.
Contact: John Daniels, CEP
Tel: +32 2 646 89 26
Fax: +32 2 646 95 79
BRUSSELS

JULY 7-8
'Visions of Tomorrow' Institution of Mechanical Engineers Symposium
IMechE is celebrating its 150th anniversary with this Symposium, designed to mark the valuable contributions made by mechanical engineers to everyday life and to look forward to the future.
Contact: Anne Lomax (0) 171 973 1261 or exhibition/sponsorship opportunities, Amanda Stainer (0) 171 228 8034
LONDON

Conferences & Exhibitions
To advertise conferences, exhibitions, trade fairs, conference venues and training courses to approx 1.2 million readers worldwide.
Contact Frances Oakes on 0171 873 3218 fax 0171 873 3098
Financial Times

جزء ١٥٠

BUSINESS EDUCATION

The mid-life crisis is now the subject of academic study at Harvard. **Victoria Griffith** investigates

Long journey into light

When Henrique Meirelles was offered the presidency of the Bank of Boston last year, he hesitated. It was a golden opportunity, he knew, and a sweet reward after years of running the bank in his native Brazil. Yet Meirelles, 51, knew that by saying 'yes' to the job, he'd be saying 'no' to other dreams – such as running for political office, or starting up his own financial firm.

Taking the job would also mean a move from sub-tropical São Paulo to Boston. "When you're young, you think you can always get around to things later," he says. "At my age, it's a more serious decision."

Meirelles turned to a course offered by his alma mater, the Harvard Business School, for help. 'Odyssey', as the course has been dubbed, is an unusual executive education programme. "It's not about how to run the company better or acquiring a specific skill," says Shoshana Zuboff, the professor who runs the sessions. "It's about successful, middle-aged business people deciding how they want to spend the last trimester of their lives."

The Harvard course – which runs for two separate weeks in June and July and is only open to alumni – gives executives time to think about their goals. "I wanted to get out of my daily routine and focus on myself," says John Michener, partner at a Dallas law firm and a course participant.

Yet Odyssey is no vacation. Participants study, write, and attend three hours of classes each day. Although the course includes psychological 'exercises' in trust and self-evaluation, it is seen as different from other self-discovery programmes.

"Being at Harvard Business School legitimised it," says Lynn Shields, wife of one participant. "It was not a retreat offered through some touchy-feely organisation."

Since career decisions profoundly affect families, participants' spouses are included for the second half of the course.

One of the most valuable parts of the programme, say participants, is seeing that successful people like themselves are also passing through a difficult time.

The first thing Odyssey students do is pair off with 'buddies', sounding boards with whom they spend hours in conversation. They interview each other about their desires, disappointments, what gives them a kick out of life, and what they dislike about their current position. Some responses are written, others verbal. Some are required, others not.

In true Harvard form, the students then review case studies of executives who have been through mid-life career changes, analysing them for opportunities which have gone right and wrong. They are also instructed in adult development, to understand that questioning one's career at this stage of life is natural.

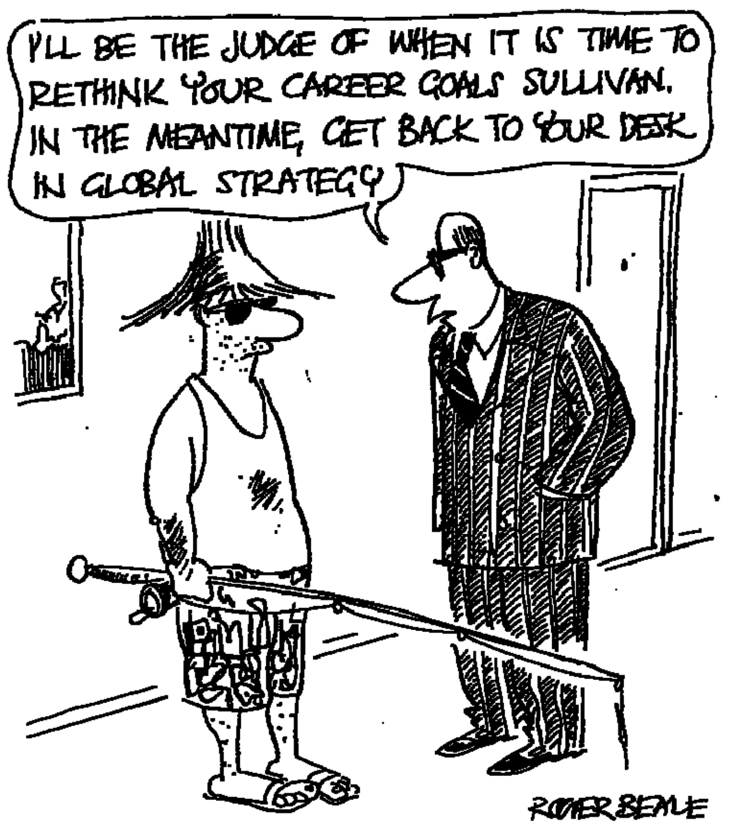
"Part of the problem was I felt 'How can I possibly be unhappy when I've got everything?'" says Bill Wyman, a consultant.

"I was struggling to get out of bed in the morning. The course made me realise I wasn't alone."

Those who have been through Odyssey say it gave them the courage to make important career decisions. John Cusick, chief executive officer of the digital telecommunications group Innova, opted to spend far more time developing new products than he had previously. "Part of the reason I was unhappy was because I was spending most of my time managing existing businesses, which can be pretty mundane stuff," he explains. "The creative side of my job now gives me a lot more satisfaction."

Cusick says he is also trying to spend more time with his family, something many participants say they would like to do.

Michener says Odyssey gave him the courage to step down as managing partner of his law firm to concentrate on other things: including a cattle business he has started with his son.



NEWS FROM CAMPUS

Postal vote makes the credits roll

A majority of Britain's business schools have voted to implement a new assessment scheme for MBA courses. The scheme is intended to give consumers some idea about the differing quality of the courses on offer.

Under the scheme courses will be 'accredited' or 'approved' (a lower qualification).

In a postal ballot organised by the business school trade body, the Association of Business Schools (ABS), 88 per cent of respondents voted for the scheme. The other participating organisation, Amba (Association of MBAs), has still to decide whether to lend its support to the scheme. Its member schools represent the top tier of UK business schools.

ABS: UK, (0)171 837 1899

Simon school in the best of health

The growing need for better management in the healthcare industry has persuaded the University of Rochester's Simon Graduate School of Business Administration to launch a Health Care Management concentration as part of its 18-month MBA programme.

The Simon School already co-operates with the University of Rochester medical school, which sends medical residents to the business school to do a full-time MBA alongside their full-time jobs.

Simon: US, 716 275 3736

Scholarships clarify the case debate

In a bid to encourage students to adapt scholarly texts into manageable teaching tools, the European Case Clearing House, at Cranfield University, is giving 10 scholarships a year to the best case study authors.

Worth £500 each, the scholarships are targeted at graduate and postgraduate students. Cases may be submitted any time during the year.

The scholarships are known as the Philip Law Case Writing Scholarships after the late Philip Law who taught at London Business School.

ECCH: UK, (0)1234 750903

Fashion victim fights back

Calvin Klein is tired of piracy, says **Alice Rawsthorn**, and has started a global offensive against counterfeiters

Walk into a street market anywhere from Manila to Manchester, and a couple of stall holders are bound to be hawking T-shirts branded with the distinctive CK logo of Calvin Klein, the New York fashion designer.

If the T-shirts are being sold for a pittance, it is highly likely that they are fakes. Calvin Klein, like most other internationally-known fashion designers, has long been plagued by counterfeiters selling poor-quality merchandise bearing his brand name. Now he is doing something about it.

"As the Calvin Klein brand has become well known, we've seen a big increase in counterfeit activity," says Gabriella Forte, chief executive of Calvin Klein. "The better known the brand name, the more people want to rip it off."

In the past Calvin Klein took a relatively passive approach to the counterfeit problem. It took legal action whenever notified about copyright infringement, but relied on the authorities, such as local customs officers and trading standards officers, to identify them.

The company has now got tougher by establishing a network of employees and external specialists to uncover copyright abuse.

The catalyst was a general change in corporate strategy whereby Calvin Klein has aggressively expanded its interests outside north America. Calvin Klein has been regarded as one of the foremost fashion designers in the north American market since the mid-1970s. But for years his name was better known internationally for its association with best-selling perfumes such as Eternity, Obsession and cK one, than clothes.

During the past three years, Calvin Klein has been building up its fashion business in other countries. It has increased its investment in advertising, and restructured its licensing arrangements by clinching long-term deals, often including equity participation, with partners for entire regions, such as Europe or Asia, rather than signing away licensing rights to individual countries on a piecemeal basis.

The company has already increased the proportion of

Fake goods – T-shirts, jeans and ballcaps – imperil brand image by linking it to shoddy merchandise

annual turnover (the total value of which is not disclosed) generated outside north America to 30 per cent, from 10 per cent five years ago. Forte says the target is to reach 45 per cent during the next three years.

But as sales and brand awareness have risen, Calvin Klein has become an increasingly popular target for Asian and European counterfeiters, alongside other luxury brands, such as Gucci, Chanel and Ralph Lauren.

The fake goods, mostly T-shirts, jeans and ballcaps, not only erode the company's own sales, but imperil its brand image by linking it to shoddy merchandise. "You'd be amazed at how many people pay $5 for a T-shirt without realising it's counterfeit," said one executive.

At the same time Calvin Klein has seen a steep increase in parallel imports, whereby its merchandise is exported from countries where it is priced relatively cheaply, to ones where prices are higher. In the US, for instance, a pair of basic Calvin Klein jeans retail for $55 (£34), compared with $75 for the slightly different basic style in the UK.

Last year Calvin Klein created a new senior vice-president's post at its New York headquarters to orchestrate an international offensive against counterfeiting and parallel imports. It has also hired regional legal specialists to co-ordinate its activities in Europe and Asia. They liaise with the London and Hong Kong offices of Baker & Mackenzie, an international firm of copyright lawyers retained by Calvin Klein, which assembles local teams of lawyers and investigators to work on its behalf.

The initiative has already paid off. Calvin Klein's new network has already instigated several hundred seizures of illegal goods in its first few months: ranging from a raid on 12 Lancashire factories where 375,000 pairs of "Calvin Klein" jeans were seized, to the impounding in Finland of a cargo of 15,487 counterfeit jeans and 2,980 fake shirts manufactured in Bangladesh and bound for Russia.

Forte plans to extend the network to Latin America, starting with the appointment of a legal specialist. She also hopes to see more joint initiatives between Calvin Klein and rival fashion houses because "we all face the same problem".

Seizures of illegal goods have included 375,000 pairs of 'Calvin Klein' jeans in Lancashire

Ad law sobers Poland's brewers

A draconian ban is challenging drinks companies, reports **Christopher Bobinski**

Poland's draconian ban on drinks advertising and near-prohibitive excise and import duties are challenging big international drinks companies keen to establish a foothold in a fast-growing market and future member of the European Union.

Since the start of the year, fines for breaking the ban on advertising in the print and broadcast media and on billboards have risen to a maximum of 500,000 zlotys (£98,800). That makes testing the limits of the law an expensive business.

The new regulation has cleared brewers' ads from newspapers, where until recently they were advertising non-alcoholic drinks under the same brand names as alcoholic beers and assuming, rightly, that consumers would not notice the difference.

Vendors of spirits such as Seagram or United Distillers never had this option. "How do you think I could pretend I was producing a non-alcoholic Absolut vodka?" asks Michal Kowalski, Seagram's local chief.

Instead, Kowalski is working with Unicum, an art auctioneer, on a sponsorship scheme using the Martell brand. The monthly Unicum auction puts Seagram directly in touch with its target group: the relatively well-heeled, who number perhaps 1m out of a population of 38m. These are the Poles who earn $500 (£310) or more a month, and can afford, once in a while, to buy expensive, imported spirits.

Seagram is also sponsoring a competition for young executives through a business magazine. Entrants are asked to say how they would use a 20,000 zloty investment. The sum is the prize, and the competition is run under the Chivas Regal logo.

At United Distillers, Max Johnston, responsible for the company's central European operations, is as concerned about the ad ban as the excise and import taxes levels, which add more than 300 per cent to the cost of a bottle of his Johnnie Walker Red Label. As a result, a bottle costs the equivalent of $15 in the Czech Republic or Germany but $31 in Poland.

Magnum

Companies hope that Polish barmen will recommend new drinks to customers

The taxes are unlikely to come down until Poland joins the European Union. For now, the government is not only concerned to maintain budget revenues but also to protect local vodka producers, who at present control 95 per cent of a huge market in which 360m litres of vodka were sold legally last year.

The advertising ban pushes the focus for marketing campaigns on to retailers and wholesalers, who have to be personally persuaded of the merits of the product. United Distillers has not developed any specific responses to Polish conditions.

For example, it continues to rely on brand promotions tested elsewhere, such as golf sponsorship or bringing in brand "ambassadors" from the Hennessy cognac family to generate press coverage. But direct tasting in shops and word of mouth recommendation are the most effective sales aids. The company pays special attention to barmen in the hope they recommend a new drink or cocktail to customers.

Some brands – such as Johnnie Walker and the main cognacs – are well-known in Poland, and do not need mass advertising. They were sold in the now defunct Pewex hard currency shops under communist rule when sales of imported Scotch whisky were three times what they are now. But access to the media would help in promoting the consumption of sherries, port or tequila, which so far have few aficionados in Poland.

Nevertheless Max Johnston at United Distillers is excited about prospects. Though still low, imports of drinks products are growing. The government is also talking of privatising the local distilleries, which would allow multinationals to produce locally. And once Poland enters the EU and tariff barriers come down – or so the drinks business hopes – the effort that now goes into promoting foreign brands will be well repaid.

MARKETING / ADVERTISING / MEDIA

Films take a back seat to the main event

Hollywood believes merchandising can make it rich, says Christopher Parkes

Show me the money, the latest all-American catch-phrase, lifted from the script of the hit film *Jerry Maguire*, is nowhere more popular than in the marketing departments of Hollywood's studios.

To paraphrase Brett Dicker, head of promotions at Walt Disney's Buena Vista division, a less snappy but more accurate version would be: "Show me the *other people's* money."

This is the summoning cry which goes out with increasing frequency to toy and clothing makers, retailers, pop bottlers and fast fooderies, signalling the impending arrival of yet another "event picture".

According to the Hollywood rule of thumb, a studio can today count on spending the equivalent of two-thirds of a conventional film's production costs on promoting its release. But that is less than half the story in the event movie business.

According to Dicker, the live-action version of *101 Dalmatians*, launched in the US late last year, garnered $135m (£83.3m) of add-on promotion from product licensees, including $35m in television spots paid for by McDonald's.

The burger chain notched record sales of Happy Meals. Cruella De Vil coats flew off the racks, and Disney's first attempt at bringing to live action the marketing oomph previously reserved for animation was pronounced a success. *Dalmatians* was an "event". Disney's franchise on the spotted dog, first taken out with the 1961 animated version, was extended for the foreseeable future, ungenerous reviews of the film itself being totally eclipsed.

Which raises the question of the role of the film – the product which made Hollywood famous – in a vertically integrated industry which seems to believe merchandising will make it rich.

Sid Ganis, a former Columbia executive now producing at Out of the Blue Entertainment, is not quite sure. But he admits that while a film is "not necessarily ancillary", its impact on cinema audiences may no longer be "the powerhouse that drives the machine".

Even if a production is not a hit, it still has to make a big enough "marketing impression", he told a recent industry conference at the University of California at Los Angeles.

Drawing cinema audiences and stirring interest enough to reap later rewards from home video sales is not enough in the event picture business. Studio marketeers now carry with them the hopes and ambitions of all those "other people" whose money is at risk.

As a result, planning film marketing has become almost as protracted as it is expensive. Massaging potential product licensees typically starts two years before a film is released – often before production begins.

Dreamworks, now preparing for the May release of *The Lost World*, the *Jurassic Park* sequel, started two years ago trailing 1,000 manufacturers' and retailers' representatives through the sculpture studios where the dinosaurs were being built.

A *Lost World* style book, several hundred pages long and costing well over $500,000 to produce, was issued to lay down the precise delineations of the film logo, colour schemes, dinosaur types and postures.

With 800 licensees now on board, including Hasbro and Mercedes-Benz (taking part in its first entertainment-related promotion), Dreamworks appears to have succeeded in crowding likely competitors from the lion's share of the nation's cinema screens – and competing products from the shops – at least for the crucial opening period.

With event projects such as *Batman and Robin* and Disney's animated *Adventures of Hercules* due out this year, the fight for shelf space has already become "unbelievably intense", in the words of Brad Globe, a marketeer in Dreamworks' job-title-free hierarchy.

Retailers are extremely conservative, and by nature nervous about taking multi-million buying decisions months before a film comes out, he says. Accordingly, studios must try to co-opt leading brand manufacturers as licensees, the better to impress the retailers.

Walt Disney Productions

101 Dalmatians garnered $135m of add-on promotion from product licensees

To add further weight, the studios must also demonstrate that they are playing their promotional part. Accordingly, last December, as manufacturers started cranking up their output of *Jurassic Park* toys, T-shirts and burger wrappers, teaser advertisements started reminding cinemagoers that "Something has Survived".

At about the same time, US cinema operators were being tapped for firm commitments to open the film on Dreamworks' preferred dates for the Memorial Day weekend holiday. As Fox's *Independence Day* showed last year, the film which is first to claim most of the biggest and best screens in the country – and makes the most promotional noise in the process – sends the competition scuttling for alternative opening dates.

As Dreamworks hopes to show, and Warner Bros' *Batman* franchise has already demonstrated, the event film which lends itself to sequels provides an endless stream of revenue. Batman toys have figured among the top 10 sellers in the US every year since 1989, when the mock-sinister black and gold Bat-logo made its first appearance.

With or without a film release to maintain awareness, the Bat-brand is now worth $1bn a year at retail prices, according to Dan Romanelli, president of Warner's consumer product division.

Although speculation about the popular success of this year's release is futile, the screen presence of Arnold Schwarzenegger, type-cast as Mr Freeze, and sex-pot Alicia Silverstone squeezed into Batgirl's shiny black carapace, may give aficionados a comforting hint of the prospects for sales of Bat-Skates, the 1997 model Batmobile and the rest of the updated paraphernalia.

Generating or reviving merchandisable screen properties is now a prime goal at most of Hollywood's leading studios. In the late 1980s, annual retail sales of Bugs Bunny merchandise were $200m a year. Now, Romanelli claims, "dat wabbit" is worth $4bn a year at retail prices.

But how far and how fast can the bandwagon be driven? Last year's experiences in the US, when dozens of conventional big-budget films fell over one another in the scramble for screen-time, may have provided a timely hint.

The glut shrank the earnings potential of many promising productions, and despite record US box-office takings and cinema attendances, increased marketing costs meant that the rise in the volume of profit trickling down to the industry's bottom line was modest at best.

For the present, most studios appear content to back one full-blown event film a year. But Disney, which successfully squeezed three into 1996, with *The Hunchback of Notre Dame* sandwiched between *Toy Story*, running over from late 1995, and *101 Dalmatians*, is not going to ease up.

"This is a global business for us now," says Buena Vista's Brett Dicker. "We are coming close to the time when we will be opening these films on the same date around the world."

An antidote to the Sydney poisoners

Food manufacturer Arnott's response to a marketing nightmare has been textbook

The handwritten notices run the length of a Sydney supermarket aisle. "Arnott's products have been removed due to a product recall," they state, to a backdrop of empty shelves.

It is a bland summary of what has been a marketing nightmare for one of Australia's best known food manufacturers. On February 3, the 132-year-old biscuit and snacks group, now 70 per cent owned by Campbell Soup of the US, learnt that extortionists had sent a letter and a box containing poisoned Monte Carlo biscuits to police and government officials in two states.

The letter claimed that a Ronald Thomas, jailed for murdering a Sydney bookmaker and his girlfriend on Queensland's Gold Coast five years ago, was innocent, and demanded that police witnesses take lie-detector tests. If they did not respond by February 17, poisoned biscuits would be placed in stores in New South Wales and Queensland, Australia's two populous east coast states.

Initially, the matter was kept under wraps while police investigated. Then, as the deadline approached, Arnott's went public. It removed all its biscuits from supermarket shelves in the two states and stood down several hundred casual workers. A small number of supermarkets in other states also pulled Arnott's products, as did retailers in some Asian countries. The cost to the company, according to Chris Roberts, managing director, has been about A$1m (£480,000) a day.

Product recalls are not new in Australia: Smith's Snackfoods, Colgate-Palmolive, Kraft and Campbell's are some of the bigger consumer product companies forced into this position in recent years.

However, the open-ended nature of the Arnott's extortion threat – as compared with a specific product failure, say – and the subsequent inability to identify the perpetrators, has made Arnott's position particularly delicate.

So far, its public response has focused on reassurance. A customer call centre was set up and an open letter of regret placed in national newspapers immediately after the recall. "Arnott's is the innocent victim . . . your safety is paramount," stressed the letter.

Within days, this message was reinforced by a national television advertising campaign, devised by George Patterson Bates. Using a former journalist from one of the best-known current affairs programmes, it emphasised the company's concern, its long history, and the plight of its employees – in effect, making the point that both Arnott's and its customers were victims.

Last Friday, a week after the scare first became news, Arnott's went a step further, announcing it would destroy the entire recalled stock. "Consumer safety is . . . our top priority," said Chris Roberts. The media were quickly alerted, so they could witness some of the stock being dumped at a Sydney tip.

Competitors, reluctant to speak publicly for fear of attracting copycat threats, have been fairly impressed. "It's textbook stuff: they've over-reacted and been very conservative," says a big food company. "They've done everything to reassure the consumer and retain his or her sympathy."

However, most rivals also observe that the real challenge lies ahead. A week after the blackmailers' deadline, police say there has been no further contact from the extortionists – and that if none is made by today they will declare the threat to be over.

Yet persuading consumers that future purchases are entirely safe may be more difficult. That may depend on packaging strategies of which all manner of alternatives have been aired – experts have advocated anything from extra "tamper-proof" wrappers to vacuum-packaging.

Professor Kees Sonneveld, at Victoria University, concedes that the Australian product liability regime is less fearsome than America's, and that, accordingly, some forms of packaging may not have attracted quite the same amount of attention. However, he adds: "There has been more and more focus on this area."

Where adhesive packaging is used, he suggests, the question is how tight the seal points are: whether, for example, the wrapper will automatically tear on opening, providing evidence of tampering. This, in turn, tends to have cost implications, a tighter seal taking longer to effect, and proving more expensive. If Arnott's revamps its production lines, he suggests, "there could be an extra 5 to 10 per cent on the product cost in the long term".

The company itself declines to speculate how it will repackage its products, although it does acknowledge that Campbell's experience could be helpful. How quickly consumers' loyalty will be tested remains a large unanswered question. "The situation is still very volatile," says Arnott's. "It could be days. It could be months."

Nikki Tait

Tim Jackson

The protocols of Net writing

Should you end an e-mail message with the words "Best wishes"? Strictly speaking, the answer is not. Experienced users will tell you that electronic mail is a new form of communication – pithier and zappier than faxes or letters – that requires a writing style of its own.

When you are sending and receiving scores of messages a day, often only a couple of lines long, pressure of time forces you to adopt an almost telegrammatic writing style. My brother, for example, is a fastidious grammarian who would never be caught dead dropping an apostrophe in print. Yet he writes e-mail in lower case.

Many e-mails I receive, however, are from newcomers. They often begin: "Dear Mr Jackson." A British government minister even included my postal address. Such writers can be quick to take offence if you reply in a single sentence without a salutation or an ending. That's why I end with "Best wishes", and resign myself to the fact that the cognoscenti will snigger.

This may seem a minor issue but it is a symptom of a wider difficulty facing anyone who writes about a specialist subject for a general audience.

In this column, for example, I often wonder how much knowledge to assume among readers. Should I qualify a first mention of Netscape Communications by saying that it is the company behind the world's most popular browser? Should I explain that a browser is a piece of software you use to access the World Wide Web? Must I explain what the Web is?

It's hard to know. Explain too little, and you become incomprehensible to non-nerds; too much, and you drive your most informed readers to distraction. The style books of traditional newspapers offer little guidance. When I wrote for The Economist, we assumed our readers were highly intelligent but completely ignorant. As a result, we had phrases such as "IBM, a computer company".

In the US, newspapers and wire services have more rigid rules. When The New York Times writes about Bill Gates, it calls him "William H Gates III, chairman of Microsoft Corporation". Yet somehow, I find it hard to imagine that many readers will confuse Bill with his dad.

Now Wired, the psychedelically printed monthly magazine that serves as a nerd's bible, has published *Wired Style*, a welcome attempt to update the rules of style for the digital age.

Like all good style guides, it performs two functions. First, it is a useful lexicon of neologisms, with pithy explanations of words like "webonomics" (the new rules of business on the Web), "meatspace" (the real world, as distinct from cyberspace), or "microserf" (a lowly programmer who slaves away for William H Gates III).

The motto of *Wired Style* is: Save A Keystroke. It encourages writers to close up gaps and eliminate hyphens wherever possible as in barcode, desktop and megabyte.

The guide is on less solid ground when it advises writers to respect the curious orthography of Internet companies. We're supposed to reproduce the exclamation mark in the Yahoo! search engine, and the capitals in the name of UUNet, a leading Internet service provider. Yet the guide advises writers to ride roughshod over attempts by private individuals to use capital letters in e-mail addresses.

The bigger issue in *Wired Style*, however, is the manifesto it proposes for writing in the digital age. The magazine advocates a sort of post-new-journalism, which takes a step further the let-it-all-hang-out approach advocated by Tom Wolfe in the 1970s. Its shibboleths are: screw the rules, capture the colloquial, be élite. At first sight, I find this philosophy appealing. Americans are great at coining epigrammatic phrases, at finding new ways to say new things briefly and elegantly. The Internet has accelerated this process by speeding the spread of new words and the decline of old ones. To "write the way people talk" is undoubtedly good advice; so is "don't insist on standard English" and "don't sanitise and homogenise".

But good advice for whom? Print journalists and wire service editors, particularly in Europe, where things change more slowly, will benefit greatly from this book. Its principal audience, however, is likely to be among the webmasters, technology writers and newsletter owners whose prose fills millions of pages of the Web. Their writing is already anarchic, streetwise, colloquial and raw.

For these people, who need their exuberance curbed rather than encouraged, *Wired Style* could be dangerous medicine. Yet it incites them to revel in excluding those not in the know. It insists Wired didn't need to identify a picture of Newt Gingrich on its cover in 1995, because "anyone with a pulse" knew who he was. Likewise, it sees no need to explain IRS, on the grounds that "no one needs the taxman spelled out on first reference".

As anyone outside the US can see, this advice betrays a contradiction. The Internet may be turning the world into a global village but many of its writers still behave as if the village's boundaries are defined by San Francisco to the north and San Jose to the south. By failing to give outsiders essential background information, the digital journalists are revealing themselves as parochial and old fashioned.

Wired Style: Principles of English Usage in the Digital Age. HardWired. $17.95.

tim.jackson@pobox.com

Cyber sightings

by Stephen McGookin

● Traveller's Yellow Pages, the first bilingual English and Russian directory, recently went on the Web (*www.infoservices.com*) and offers an indexed guide to services available in the Russian city of St Petersburg, with plans for a Moscow guide to follow. The guide covers basic information such as hotels, restaurants and travel details, but also more specific contacts.

Michael Doran, publisher, says: "Our Web site will save time and money for companies sending representatives to Russia. In St Petersburg, about 30 per cent of business phone numbers change each year. We can keep our online listings more current than any directory in print."

● BioMedNet has launched a scientific research site, *http://hmsbeagle.com*, that brings together a range of debate and sources in a highly readable and user-friendly format. The Beagle site filters daily updated material culled from over 100 scientific databases and journals including Nature, New England Journal of Medicine and the British Medical Journal.

Well worth bookmarking, even if only from a standpoint of curiosity.

● New York-based JFAX Personal Telecom has announced details of its new fax service, which the company says enables e-mail users to send faxes via e-mail to any fax machine in the world and allows users to receive faxes and voice-mail via e-mail. The development, details of which are at the JFAX site (*http://jfax.com*), "heralds the final death of the fax machine" JFAX says.

● Pinkerton, the detective agency made famous by its exploits in the wild west, has set up *www.pinkertons.com* with details of its thoroughly modern services, from the traditional investigations business to providing security guards.

steve.mcgookin@ft.com

Travel News · Roger Bray

Mobile deal

Mobile telephones which can be used in North America – and which respond to your usual UK number – are available for hire or purchase before you cross the Atlantic. A "roaming agreement" set up by Cellnet allows you to make or receive calls across the whole of the US and Canada without the need to rent a handset on arrival and inform colleagues of your temporary number. In parts of the north eastern US you can use a digital service by switching your SIM card to the new phone.

Calls from the US to Europe cost £2.44 per minute, excluding VAT. It costs £1.39 to receive incoming calls. British company Carphone Warehouse rents the special phones for £5 a day or sells them for £299.99.

No guarantee

British Airways will no longer guarantee Shuttle passengers a back-up aircraft from March 12. The airline says only one in five customers using the service, which operates to Glasgow, Edinburgh, Manchester and Belfast, turns up without a reservation. That proportion may diminish with ticketless travel, which will be extended to Shuttle routes on the same day.

BA says a huge increase in capacity makes it "extremely unlikely" that anyone without a booking, who found the first flight full, would not get on the next one.

Train schedule

European train journey times will tumble again following the French government's approval of construction of a high-speed TGV line east of Paris. When the first section opens in 2004 for a projected FFr23bn (£2.48bn), including rolling stock, trains to Strasbourg will take 2½ hours, compared to the present 4 hrs. When the whole line is finished it will come down to 2 hrs. Paris to Frankfurt will take 3 hrs 40 mins, to Munich 4 hrs 50 mins and to Berlin 6¼hrs.

Lesotho warning

You should not travel to Lesotho unless you have essential business there, the UK Foreign Office advises. A breakdown in civilian police control may lead to a rise in crime. As it is, muggings have occurred in daylight in the centre of the capital, Maseru. Do not try to resist robbers, steer clear of isolated areas – and do not walk around town at night. All British visitors should register with their embassy (tel: 313961).

PanAm in Miami

Reborn airline Pan American will start a service linking Chicago with Miami and San Juan, Puerto Rico, on Saturday. Once one of the world's giants, it has made a modest start in its reincarnated form. It operates from New York to Los Angeles, Miami and San Juan – and Miami-San Juan. It plans to fly between New York and San Francisco and Miami-LA later this year.

Luton to Milan

Cut-price airline Debonair hopes to launch a service to Milan from its base at the UK's Luton airport by the end of next month. The move follows confirmation in the latest annual Mori survey commissioned by travel agency chain Carlson Wagonlit that no-frills carriers are making an increasing impact. It showed that 81 per cent of British business travellers were prepared to use them for short-haul journeys, an increase of 5 per cent in a year. Debonair has yet to decide fares on the route, but its prices to Rome range from £69 to £139, one way.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	10	14	14	12	[illegible]
Hong Kong	20	21	22	23	23
London	11	[illegible]	11	12	[illegible]
Frankfurt	13	16	13	12	10
New York	5	[illegible]	6	[illegible]	13
L. Angeles	17	18	20	19	18
Milan	[illegible]	12	[illegible]	[illegible]	[illegible]
Paris	13	16	13	12	15
Zurich	14	[illegible]	[illegible]	[illegible]	[illegible]

Information supplied by Meteo Consult of the Netherlands

Maximum temperatures in Celsius

Victoria Griffith gives advice on how to get yourself upgraded

Upward mobility

We have all seen them: the air traveller in the economy line who is bounced up to business class, the hotel guest who is offered a suite after booking a small single room. Why them? What about us?

Heavy bookings are making airline or hotel upgrades harder to come by, but first-class luxury can still be had free of charge. It pays to know the tricks of the trade. The following is a compilation of tips from experts in the US travel business on how to boost your chances:

● **Join every frequent flyer programme and executive travel club you can.** The travel industry uses these programmes to keep track of its most important customers, and its most important customers are far more likely to get free upgrades than other people. "We know how often you fly with us, so if we have a sold-out situation in economy we'll ask the most frequent flyers if they'd like to travel in business," says Dean Breest at Delta Airlines. "Usually, they say yes."

Hotel chains offer the equivalent of frequent-flyer programmes through executive clubs, and reward their loyal customers with upgrades. Most club memberships are free, although some charge a fee of about $50 (£30.80).

The Marriott hotel chain promises faithful club members an occasional room upgrade. "The Marquee Club lets us see on the computer how often you stay at our hotels," says Gordon Lambourne, a Marriott spokesman.

"If you're a frequent guest and haven't had a free upgrade for a while, you'll move to the top of our list."

Frequent flyer and guest points can be accumulated in many ways. Credit cards often offer frequent flyer miles. Car rentals can usually be used to win points, and telephone usage is increasingly linked to travel programmes.

● **Build a close relationship with a travel agent.** Although airlines and hotels deny it, travel agents insist they can make a difference. "We can pull strings," says Michael Boult, general manager of supply relations for the travel chain Rosenbluth International. "For instance, the vice-president of a certain company may not have all that many frequent flyer points, but the company itself may be an important customer. We can explain that to the airline."

Boult says airlines sometimes grant a free upgrade as a favour. "We can't ask for favours all the time," he explains, "but every now and then we can pull it off."

● **Complain.** Everyone in the travel industry agrees that writing letters about unpleasant flights, rude service, uncomfortable rooms and unsatisfactory rental cars can put you in line for a free upgrade – even a free ticket. British Airways promises customers a complimentary ticket if they don't find the company's business class the most comfortable on offer.

● **Watch out for special promotions.** Car rental chain Hertz is offering a free upgrade to anyone prepaying bookings before the end of March for European rentals to the end of the year.

● **Be famous.** Although airlines and hotels insist it makes no difference, travel agencies say that fame often guarantees a traveller a luxury suite or first-class seat.

● **Dress well and turn on the charm.** "This really does work, especially for the European airlines," says Lynda Young, executive editor of InsideFlyer magazine. "And it doesn't hurt to ask at the check-in counter for an upgrade."

● **Don't expect too much.** Because airlines and hotels are heavily booked at present, upgrades are often unavailable. Hotel upgrades are least likely in large cities such as New York, London, Paris and Chicago. Chances are better in places such as Cincinnati, Cleveland or Detroit. Also, upgrades tend to be incremental: a first-class passenger may be kicked up to Concorde, but not a business-class flyer. And an economy ticket will rarely land you a seat in first class.

These tips will improve your chances of gaining an upgrade. But with the travel market booming, upgrades are scarce at present. If you book an economy-priced seat or hotel room, understand one thing: you are travelling with the masses.

Top flight: only first-class passengers are upgraded to Concorde

Revival of the spirits

Riga offers a Baltic gateway, says **Matthew Kaminski**

Sergei Eisenstein, the great Russian film-maker, grew up in Riga when it deserved its "Paris of the Baltic" tag. His father, Mikhail, was its most renowned turn-of-the-century architect, whose Art Nouveau buildings gave the port an eclectic charm and beauty that the Soviet era concealed and spoiled – but only briefly.

These days the spirit of commerce lives again in Riga, stimulating a revival of its cosmopolitan traditions.

"All we need is a little more time," says Einars Repse, the young, normally reserved, central bank governor, reflecting on the changes overtaking his country. "Latvia was a developed country before the second world war, and it soon will be again."

Cafés, an array of ethnic restaurants (including Sri Lankan, Vietnamese and Cuban) and fairly racy night clubs arguably make Riga at night the most alluring city in the former Soviet Union.

My visits to the Latvian capital from Ukraine usually prove a deserved break from post-Soviet reality. The passport line moves quickly; local shop clerks are not surly; waiters smile; taxis have meters that work. Riga looks and works much like Budapest or any central European capital.

But the city can also offer business visitors from the west a taste of its old flavour – and of its new. The latest restaurant fad in Riga is retro-Soviet. This is good: when a country can make fun of its grim history, the past has almost certainly been laid to rest.

According to an indispensable guidebook, *Riga In Your Pocket*, *Marrutku Maizites*, which means "Horseradish Sandwiches", is the first purposely built Soviet-style café in the Baltics. It offers cold sandwiches and cheap vodka under red banners and Soviet paraphernalia. The Nostalgija café is of the same genre.

The big Soviet-era hotels, the Riga and Latvia, have renovated several floors to western standards, and charge a western-style $108 (£66) to $353 a room per night. But even the new rooms at the Latvia retain the narrow beds of the Soviet period. These usually give me a stiff neck by morning.

There are better options. The luxury hotels in the old town – from which virtually all business meetings can be reached on foot – are the Eurolink, Man-Tess and Hotel de Rome. Across the Daugava River – a five-minute drive from the centre – the new Radisson-SAS is Riga's first full-service hotel, with sauna, pool, health club and restaurants.

As the only true metropolis in the Baltics, and conveniently located right in the middle of the region, Riga has become the favoured Baltic gateway for international business. Business travellers can easily reach Latvia's neighbours by starting in Riga, which is several hours by car from Estonia and Lithuania. Regional air links are improving only slowly.

Many multinationals are locating their Baltic headquarters in Riga. The arrival of companies and expatriate staff – Sweden, an hour across the Baltic Sea, is particularly well represented – has given the city a distinctly Nordic feel.

The Latvians are Lutherans, less reserved than the Estonians and less emotional than the Lithuanians. Latvians' Protestant work ethic guarantees a degree of order and service rarely encountered in the former Soviet countries to the east.

Yet Riga's traditions are multicultural. The city, founded by Germans in 1204 and conquered by Russians in 1710, prospered from Baltic trade from central Europe into the Russian hinterland. German, French and Russian were the languages in the last century.

Today, Latvian, Russian and English are the languages of business, and can be used interchangeably.

Sadly, Riga's Baltic German and Jewish communities are gone, leaving a predominantly ethnic Russian commercial elite. Three in four Riga residents are Russian, and Russian can be heard more often on the street than Latvian.

The potential for ethnic friction caused by the Latvian government's tough stance on citizenship, adopted after independence, raises alarm bells in the west. Yet Latvia is calm and preoccupied with its economy, as well as gearing up for potential membership of the European Union.

ARTS

OPENINGS

PARIS
The Vienna Philharmonic Orchestra visits the Théâtre des Champs-Elysées on Friday, at the start of a tour taking in London's Royal Festival Hall on Saturday, Los Angeles on March 4 and 5, and New York's Carnegie Hall on March 7, 8 and 9. The conductor is Daniel Barenboim, and the programmes include symphonies by Mozart and Bruckner.

MILAN
A new production of Berg's Wozzeck opens at La Scala on Friday, staged by Jürgen Flimm and conducted by Giuseppe Sinopoli. The cast is headed by Franz Grundheber, Catherine Malfitano and Kim Begley. Tonight a new production of Rainer Werner Fassbinder's "Le Amare Lacrime di Petra von Kant" opens at the Teatridithalia; Elio

LONDON
Sir Denis Mahon's (left) entire collection of 79 paintings and a selection of drawings go on public show for the first time on Wednesday at the National Gallery. They include masterpieces by Guercino, Domenichino, Caracci and Guido Reni, and a fine group of drawings by Guercino. Sir Denis recently announced that 61 paintings from his collection would go, after his death, to British museums and galleries, but he has put stringent conditions on the bequest.

VIENNA
Continuing its cycle of exhibitions devoted to famous women of the Italian Renaissance, the Kunsthistorisches Museum showcases the poetess Vittoria Colonna (below, right), whose influence was felt in politics as well as in matters of Church reform. The exhibition, opening on Wednesday, emphasises her close relationship to Michelangelo, expressed in letters, sonnets and in gifts of his drawings to her. Works by Lorenzo Lotto, Titian and El Greco are also on display.

ZURICH
Bizarre artistic combinations sometimes produce revelations. That is what the Zurich Opera House is hoping for by bringing together the conductor Nikolaus Harnoncourt (below), the stage director Johannes Schaaf and the opera *Aida*. Will Harnoncourt's first Verdi performance be "authentic" or perverse? Saturday's first night will reveal all.

STRATFORD-UPON-AVON
The Royal Shakespeare Company launches two new productions this week. On Wednesday Adrian Noble's production of *Cymbeline* opens at the Royal Shakespeare Theatre. Joanne Pearce (Mrs Noble) plays the taxing role of Imogen. On Thursday *Camino Real*, by Tennessee Williams – an author whose plays are rarely used by the RSC – returns to the British stage, directed by Steven Pimlott.

Yesterday's teen dream, today's mother

Nigel Andrews meets Debbie Reynolds, who is back with a new film

Miss Burbank of 1948 is now available again for leading film roles. It would be impossible to believe that Debbie Reynolds is 65 this year were she not flaunting her sexagenarianism in the new Albert Brooks comedy, *Mother*, in which she plays the title role to Brooks' walking midlife crisis.

With unimpaired piquancy, the one-time teen dream of *Singin' In The Rain* plays a scatterbrained matriarch, delivering home truths to her son who has dropped by to repair his life, heart and childhood memories. Reynolds was widely tipped for an Oscar nomination until the Academy decided on a "new faces" look for this year's Best Actress nods.

On a trip to Hollywood I met Reynolds in her small corner house in the San Fernando Valley; a house so dark I assumed that either there was a parrot demanding its rest or that Miss R was protecting her features from unkind reporters. I also assumed there must be a Reynolds mansion somewhere, off-limits to hacks, probably near Las Vegas where this supertrouper still sings and nimbly capers in one-woman shows.

She finally turned a table light on to reveal scarce-changed the apple-cheeked baby face that had once sung "Good morning" and "You are my lucky star".

For most of us, Reynolds is, and always will be, Kathy Selden in *Singin'*. She was Hollywood's favourite ingénue in the early 1950s: a Vera-Ellen with personality, a non-stick Sandra Dee. She also had doughty after-careers as a stage and television performer and as the famed parent of Carrie Fisher. She inspired Fisher's affectionately venom'd memoir, *Postcards From The Edge*, later filmed with Shirley MacLaine (few other impersonators imaginable) in the Reynolds role.

But "Golden Era MGM" is still the brightest luggage-sticker on her career. You know she gave people hell back then from the way she talks today. She starts brisk, flat and unceremonious, even bored-sounding. Then she warms up, expanding her answers and cueing in her oddest mannerism, a tendency to talk of herself in the third person.

"No, I don't watch *Singin' In The Rain* on TV or video," she says. "I'm a fan, but not a Debbie Reynolds fan. Because, you see, I live with her all the time. So I like Debbie Reynolds because she's given me a good life, but I really feel I'm two people, half Mary Frances Reynolds, my real name, and half Debbie."

With that cleared up, I ask how a girl who was once a Burbank Youth Symphony Orchestra bassoonist, local beauty contest winner and neglected Warners starlet aroused the attention of Gene Kelly and Louis B. Mayer.

"I was invited to L.B. Mayer's office when I moved to MGM from Warners," she says. "Gene Kelly was there and he asked me if I could dance. 'A little bit,' I said. 'Stand up and do a time-step.' That I could do. Then, 'Do me a Maxie Ford.' I said, 'What kind of a car is that?' He said, 'No, dear, it's a dance step that I do a lot.' "

The short story is that she got the role in *Singin' In The Rain*. The long story is that *SITR* became the most highly regarded film musical in history: a *locus classicus* for they-don't-make-movies-like-that-any-more views of Hollywood.

For Reynolds, it was a baptism of terror. She could sing – give or take one higher-placed number ("Lucky star") that had to be dubbed in by a voice surrogate. But the dancing was something else.

"You have to be willing to give up eating, talking, sleeping, everything. I studied for the first three months without even Gene. Then he came in and we had six weeks' rehearsal, followed by the film, and we'd work up to 16 hours a day six days a week until your feet bled.

"We weren't allowed to fool around, though Donald [O'Connor] and I did a little bit. My only escape was chewing gum, which I ate all the time. That and going behind the stage to cuss and kick at a wall. By cuss I mean 'damn' and 'hell'. I've progressed since then." She finally collapsed after the filming of "Good morning", the number in which the stars kept dancing over the settee, tipping it with dazzling ergonomic control.

"It was late night after we'd been shooting all day. We'd already gone over the couch 40 times and Gene wasn't happy settling on any of the shots, though he finally had to. I could barely drive home. I stayed home for two days. My doctor said I couldn't work. They were very upset. But imagine, if I couldn't walk at 17, how tired everyone else was!"

When she wanted a break from Kelly, she wandered over to Hollywood's other dancing legend. "Fred Astaire was rehearsing next door and he'd encourage me and let me watch. He hardly ever allowed anyone in, but he wanted me to understand fully that they all went through the same torture and despair and frustration and that there's no easy way for a musical. It's like climbing the highest mountain-top."

Finally, *Singin' In The Rain* came out, did fair-to-modest business and only slowly built the reputation it has today. For Reynolds, the movie's charm is defined by its title number, though she wasn't in it. "In its simplicity, it became a great classic. Just the rain and a street and a lamp-post and an umbrella and a genius made that a great unforgettable number."

This film about film-making also lovingly parodied the very business that gave it birth. "It was a camp spoof on Hollywood and Hollywood still is camp and a spoof today," Reynolds says.

But not such a lovable one. Soon after *Singin'* came the sinkin'. MGM and other giants were holed beneath the waterline – stars deserting their contracts, anti-monopoly laws dividing studios from cinema chains, maverick agents outmuscling leadings-tudio chiefs – and there seemed something horribly symbolic about Reynolds's next defining role on stage and screen. She played an all-singing, all-dancing veteran of the Titanic disaster in *The Unsinkable Molly Brown*.

"Molly was a survivor, a strong woman. I was 32 years old and, by that time, had become a very good actress. I could cry more easily. I was more able to enrich the role."

Everyone could cry more easily. The icebergs had struck Tinseltown. "I was one of the last stars under contract," says Reynolds. "After me, they dropped Mr Mayer, they threw out Mr Warner and Mr Zanuck, they threw out all the creative heads, and show business became business business. Today you don't have studios, you have leasing departments."

And the stars are running the galaxy.

"In the old days, you'd have trainee stars working under the greats, all under one roof and one studio chief: Katharine Hepburn, Greer Garson, Hedy Lamarr, Spencer Tracy. We didn't produce, others did it for us. Today the stars are producing; they have to in order to work."

I wait for the old crack about lunatics taking over asylums. But it doesn't come: mainly, I suspect, because Reynolds has a sneaking liking for the new age. She is a great organiser herself, as Carrie Fisher terrifyingly depicts in her book. As well as masterminding her own road-shows, TV shows and Las Vegas shows, she has created Hollywood's largest private collection of movie memorabilia.

"I'm looking for a museum to put it all in," she says. Meanwhile *Mother*, with other manifestations, shows that she is not yet ready for a glass case herself. What other retirement-age performer still dances, sings, acts, produces, and reads the cultural riot act when so inclined to the younger generation?

"Debbie Reynolds," she says – back to the third person – "was taught never to give up, never to say 'Can't', never to stop. If you have a high, high creative psyche in this business, you cannot but succeed."

The Kobal Collection

Debbie Reynolds, Hollywood's favourite ingénue: 'I really feel I'm two people, half Mary Frances Reynolds and half Debbie'

Theatre

Stop, in the name of love

On a wrought iron bridge, a desperate man prepares to jump into the river below. A passer-by double-takes: "Is it? No, sorry." He departs. He doubles back. "Yes! Henry Berlin!" Thus begins Murray Schisgal's 1964 comedy, *Luv*, a gem of a Broadway vignette slickly revived for the West End. Wry, brittle, adult, *Luv* distills the cruelties we inflict upon one another in its name.

After 15 years, old classmates Henry and Milt have run into each other at crossroads in their lives. Henry has not become the medical student nor novelist he hoped to be, and has no self-esteem. Milt seems flushed with financial success, and in love – but not with his wife, Ellen, and thus his life is unfulfilled. These deformed creatures of the American Dream are soon discussing how they had to struggle to get where they are.

Milt suggests Henry should steal Ellen from him and thus do everyone a favour. Milt reveals that he is on the bridge to murder Ellen. When she arrives, she confesses she is there to murder him, too, and produces a graph charting their sexless marriage: "I wish I was a lesbian . . . then I wouldn't have all these demeaning problems." Ellen is a genius who just wants to be a wife and Mom, but the feminist *zeitgeist* will not permit her.

The play thrice bursts into unaccompanied song, as if lampooning the theatrical absurdities of musical romance. The lunacies of a genre in which characters make lifelong commitments in the trill of a chorus are apparent in Henry and Ellen's swift wooing, then seconds-later squabbling. These are the perversities of true love in which we will a relationship to evolve while wilfully erecting insurmountable barriers.

This energetic production delights with modest tomfoolery. When someone does fall off the bridge, we hear a "splosh"; and then we see an hilariously surprising splash. The sophisticated shenanigans are choreographed in style by director Neil Marcus. Andrew O'Connor's sharp turn as the self-righteous Milt, Joyce Springer's lovingly bright but dipsy Ellen, and Clive Carter's frenzied neurosis as Henry are all painfully funny.

Simon Reade

At the Jermyn Street Theatre, London until March 15 (0171 287-2875).

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-6718345
● Felicity Lott and Roger Vignoles: the soprano and pianist perform works by Schubert, Mendelssohn, Brahms, Chabrier and Britten; 8.15pm; Feb 25

EXHIBITION
Nederlands Scheepvaartmuseum
Tel: 31-20-5232311
● Gevangen in het IJs. Willem Barentsz overwintert in het Behouden Huys 1596-1597: exhibition commemorating the 400th anniversary of Dutch explorer Willem Barentsz' landing on Nova Zembla while searching for a northern route to the Dutch Indies. The exhibition features a reconstruction of the men's makeshift shelter on the island; to Apr 14

■ BERLIN

DANCE
Staatsoper Unter den Linden
Tel: 49-30-20354438
● Le Lac des Fées: a choreography by Pierre Lacotte to music by Auber, performed by the Staatsopernballett; 7pm; Feb 25

OPERA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Susannah: by Floyd. Conducted by Marie-Jeanne Dufour, performed by the Deutsche Oper Berlin. Soloists include Karan Armstrong and Dean Peterson; 7.30pm; Feb 25

■ EDINBURGH

EXHIBITION
Scottish National Gallery of Modern Art Tel: 44-131-5568921
● Lucian Freud: Early Works: exhibition of 25 paintings and drawings made by Freud before and during the second world war. On display will be the artist's first oil painting and his only sculpture, a sandstone horse carved in 1937; to Apr 30

OPERA
Edinburgh Festival Theatre
Tel: 44-131-5296000
● La Bohème: by Puccini. Conducted by Stephen Clarke and performed by the Scottish Opera. Soloists include Ian Storeian and Elizabeth Collier; 7.15pm; Feb 26, 28

■ FRANKFURT

EXHIBITION
Schirn Kunsthalle
Tel: 49-69-2998820
● Gaston Chaissac - Retrospektive: exhibition of work by the French artist who worked in a self-imposed isolation, producing colourful child-like images and abstract works that defied easy categorisation. Later works saw a withdrawal from conventional methods as Chaissac began to paint on a wide variety of materials including cattle bones and vegetable peelings; to Apr 6

■ LONDON

ART & ANTIQUE FAIR
Olympia Tel: 44-171-6033344
● Spring Fine Art and Antique Fair: fair featuring more than 150 exhibitors with highlights including sculptures by Elizabeth Frink, contemporary furniture by Paolo Guidi, contemporary Chinese ceramics, Art Noveau silver, Old Master paintings and West African tribal art; from Feb 25 to Mar 2

CONCERT
Barbican Hall
Tel: 44-171-6384141
● London Symphony Orchestra: with conductor Michael Tilson Thomas and harpist Bryn Lewis perform works by Debussy; 7.30pm; Feb 27
Queen Elizabeth Hall
Tel: 44-171-9210600
● Passages: a song cycle: special showcase performance for young composers with director Jules Wright and soloists Lynne Davies, Mary King and Hyacinth Nicholls; 7.45pm; Feb 26
Royal Festival Hall
Tel: 44-171-9604242
● London Philharmonic Orchestra: with conductor Paavo Berglund, the Borodin String Quartet and pianist Stephen Kovacevich perform works by Dvorák, Mozart and Smetana; 7.30pm; Feb 25
Wigmore Hall
Tel: 44-171-9352141
● John Bingham: the pianist performs works by Haydn and Chopin; 7.30pm; Feb 25

EXHIBITION
National Gallery
Tel: 44-171-7472885
● Discovering the Italian Baroque: The Denis Mahon Collection: display of 79 paintings and 30 drawings from the collection of Sir Denis Mahon, including works by Guercino, Reni, Domenichino and Carracci. This collection of 17th and 18th century Italian pieces is being shown in public for the first time; from Feb 26 to May 18

■ NEW YORK

EXHIBITION
MOMA - Museum of Modern Art, New York
Tel: 1-212-708-9400
● Rainer Werner Fassbinder: retrospective exhibition devoted to German film maker Rainer Werner Fassbinder, one of the main representatives of the New German Cinema. Fassbinder died at the age of 37 in 1982, having completed 44 films. This retrospective is the first complete exhibition of his films in the US and includes many new prints; to Mar 31
The Metropolitan Museum of Art Tel: 1-212-879-5500
● Some Women: an exhibition of portrait busts of eight women, in bronze and marble, by Rodin, Lehmbruck, Brancusi, Giacometti and others; to Apr 6

■ PARIS

DANCE
Théâtre de la Ville
Tel: 33-1 42 74 22 77
● 2: choreographed by Edouard Lock to music by Bryars, Shields, Pop, Charles, Forqueray, Frescobaldi and Rameau and performed by La La La Human Steps; 3pm & 8pm; Feb 26, 27, 28; Mar 1

OPERA
L'Opéra de Paris Bastille
Tel: 33-1 44 73 13 99
● Carmen: by Bizet. Conducted by Gary Bertini, performed by the Orchestre et Choeurs de l'Opéra National de Paris. Soloists include Franck Ferrari, LeRoy Villanueva and Peter Coleman-Wright; 7.30pm; Feb 26

■ ROME

EXHIBITION
Galleria Nazionale d'Arte Moderna Tel: 39-6-322 981
● Alighiero e Boetti - L'opera Ultima: exhibition marking the second anniversary of the Italian artist's death and featuring four large-scale works: "Alternando de 1 a 100 e viceversa", "Oeuvre postale", "Tutto" and "Tappeto", which were among the last works created by the artist; to Mar 16

■ STUTTGART

DANCE
Staatstheater Stuttgart
Tel: 49-711-20320
● Stuttgarter Ballett: perform van Manen choreographies "Metaforen" to music by Lesur, "Distanz" to music by Sibelius, "Twilight" to music by Cage and "Rassemblement" to music by Bissainthe; 7.30pm; Feb 25

■ TEL AVIV

OPERA
The Opera House
Tel: 972-3-6927777
● Cavalleria Rusticana: by Mascagni. Conducted by Bertrand de Billy, performed by the New Israeli Opera. Soloists include Vladimir Braun, Ute Trekel Burckhardt and Jon Frederick West. The programme also includes a performance of Il Pagliacci by Leoncavallo; 8pm; Feb 26, 28 (1pm); Mar 1

■ THESSALONIKI

EXHIBITION
Thessaloniki Cultural Capital '97
Tel: 30-31-867860-6
● Greek Space: exhibition of photographs, drawings and models examining the French Archaeological School of Athens many years of excavation work at the sites of Argos, Delphi, Delos, Thasos and Philippi. The exhibition takes place at the Technical University Exhibition Gallery; from Feb 25 to Mar 21

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Defence of the low tax economy

Only the Conservative party can control public spending, says UK prime minister John Major

It is a well-kept secret, but over the past 18 years we have succeeded in making Britain one of the lowest tax economies in Europe. The government's overall tax take is well below that of countries such as France, Germany and Italy. The tax burden on business is among the lowest in the Group of Seven leading industrialised countries.

This achievement has helped to give us a vital competitive edge. Low taxes have made an important contribution to the improvement in the performance of the British economy. Over the last complete international cycle – between 1982 and 1993 – only Japan among the G7 countries outpaced the UK in terms of per capita growth in gross domestic product. Since the last trough in the international cycle in 1993, our growth has been the highest in the G7.

In the years ahead, our aim will be to ensure that Britain can sustain a position as a low tax economy. The reason we have been able to keep taxes well below the levels of other leading European countries is our success in breaking the trend towards big government.

During the 1960s and 1970s, governments throughout Europe expanded their activities and took an ever-rising share of national income in public spending. Throughout this period, Britain was one of the pack.

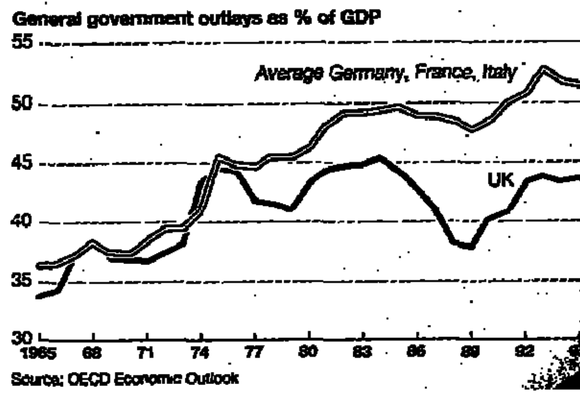
Of course, public spending fluctuates over economic cycles and rises during recessions. But, in the 1950s, it reached a peak of just 37 per cent of national income in Britain. By the 1970s, it was some 10 percentage points higher. Obviously, the amount of money which the government had to take in tax rose in parallel with this increase.

On the European continent, this trend continued into the 1980s and 1990s. The average level of public spending in the European Union rose from 44 per cent of GDP in 1979 to around 50 per cent today.

But, in Britain, we have succeeded in breaking free from what had seemed to many people an inevitably upward trend. We privatised many loss-making nationalised industries, cut back on government subsidies, curbed the growth in social-security benefits and increased the efficiency of public services.

The burden of spending

General government outlays as % of GDP



Source: OECD Economic Outlook

As a result, not only have we stopped the rise in the spending burden, we have also put it on a clear, downward path. In the early 1980s, public spending in the UK peaked at around 45 per cent of GDP. By the last recession of the early 1990s, this had come down to 43.5 per cent. During this parliament, we have made further progress.

Since Ken Clarke became chancellor in 1993, we have reduced the projected level of spending for next year by £24bn ($39bn). Next year, we are set to achieve our immediate aim of getting spending back down to 40 per cent of GDP. In the next parliament, we intend to get below that.

The most recent comparable figures show that the proportion of GDP going into public spending is already around 8 percentage points lower in Britain than in the rest of the European Union. To put that in perspective, if we had allowed spending to rise to the EU average, we would now need to be raising the equivalent of about £2,300 extra in tax from every household.

Our spending plans for the next few years are certainly very tough, but no one should be in any doubt about our determination to stick to our guns. In recent years, we have demonstrated unprecedentedly good control of public spending while still finding additional resources for health, education and the police. We will continue to do so, allowing us to combine our objective of a low tax economy with sound public finances.

Controlling public spending is by far the most effective way to reduce government borrowing and keep it down. In 1979, Britain's debt burden was among the highest in the EU. Since then, the UK debt burden – like the burden of public spending – has fallen. In other countries, where spending has continued to rise, the debt burden has also risen. Now, our debt burden is among the lowest in the EU.

Of course, borrowing tends to rise with spending during a recession. But the public sector borrowing requirement has been halved in the past three years alone. Labour's claim that Britain has a debt problem is not borne out by the figures. Labour would like to create an excuse for raising taxes, thinking they might get into government. But the debt burden is already lower than in Germany and the US.

Our plans show that, by continuing tight control of public expenditure, we can return the PSBR towards budget balance by the end of the century. We intend our public finances to remain among the strongest in the developed world.

Our commitment to reduce public spending below 40 per cent of GDP and to keep it there will not only ensure sound finances. It should also enable us to find further scope for tax cuts. If we do not cut taxes, the normal process of fiscal drag means the tax burden tends to rise over time.

Our objective is to match low spending with low taxes in a permanently low tax economy. Lower public spending, lower taxation and lower government borrowing are the essential ingredients which will enable this country to compete more effectively in global markets.

The Labour party does not share our belief in the importance of a low tax economy. Nor is it credible that Labour's shadow cabinet could stand up to their special interest groups, or continue the hard grind on public-sector efficiency that is necessary to find additional savings year after year.

Taxes would have to go up under a Labour government because spending would rise. Indeed, for all Labour's rhetoric about being tough on public spending, it remains committed to policies which could only be fulfilled by spending more.

We have identified 89 Labour spending commitments by front bench spokesmen which Treasury ministers have costed at £30bn a year. Labour has not denied or withdrawn these pledges. One example is the phased release of local authority capital receipts, such as from the sale of council houses. This measure alone would increase spending and borrowing by around £2.5bn a year.

An increase in spending of anything like £30bn would reverse a large part of the hard work we have done over the past 18 years. It would take us back about half way towards the average levels of spending in the rest of Europe. As a result, taxes in Britain would have to rise significantly, closer to the much higher levels we see today in Europe.

Labour is already proposing two wholly new taxes – the smash-and-grab utilities tax and the tartan tax. Others will inevitably follow. Its emphasis on not raising income tax rates is no reassurance. Other Labour spokesmen have made it clear they have plenty of other targets in mind, such as personal tax allowances and company taxes. Neither does a pledge not to raise top income tax rates rule out hitting the same people through high national insurance contributions.

The choice at the next election could not be clearer. By continuing to reduce the burden of public spending, our objective is to further reduce taxes so that Britain remains a low tax economy. That is the only possible way forward if Britain is to go on winning in increasingly competitive global markets.

Labour has set no objective or aim to reduce public spending as a proportion of national income. It offers a return to European social democratic policies, policies that go hand in hand with higher levels of spending and taxation. Those policies would inevitably lead to slower economic growth and more job losses. We must keep Britain a low tax economy.

Personal View · Claus Dieter Ehlermann

A national remedy

The legality of state aid need not always be decided at the level of the Commission

There is a paradox about the present debate over the control of state aid in the EU. On the one hand, the proper regulation of state aid is seen as increasingly important to ensure that the internal market works effectively. The point is underlined by recent cases such as Crédit Lyonnais, the troubled French bank, Iberia, Spain's flag-carrying airline, and Volkswagen's investment in Saxony.

Yet, at the very moment when governments and business expect the Commission to exercise its full powers as regulator-in-chief, the Commission is seeking to limit the "natural monopoly" it enjoys under the treaty of Rome, via a little-known provision based on Article 94.

The risk is that state aid controls could become another area where EU law is not being applied properly by member states, widening a more general credibility gap about enforcement of EU legislation.

The Commission's self-denying ordinance is understandable. It wants to focus on the big cases and prevent a state aid backlog. The analogy which springs to mind is EU competition policy. Here too, the Commission is overworked and undermanned given the increasing importance of anti-trust policy in the EU.

Yet there are important differences. Member states have their own competition statutes. Companies seeking redress in EU competition policy can argue their case in front of national judges who have the power to grant injunctions and award damages. Indeed, the Commission strongly supports efforts to decentralise the application of EU competition law, provided it is done on a uniform basis.

The scope for devolving state aid control to national courts is much more limited. Member states do not have national statutes which regulate state aid, nor do the administrative structures exist which are capable of monitoring illegal subsidies. If there is a way forward, it would seem to lie in giving aggrieved competitors the right to to seek redress in national courts.

Along these lines, Unice, the European employers' federation, has come up with the idea of a "remedies directive". This would force governments to think twice before handing out state aid without notifying the Commission or seeking its prior approval. Two precedents for such a directive exist in the area of public procurement.

The Unice proposals are worth pursuing, but a remedies directive would solve only half of the problem. After all, the record on implementing EU directives on public procurement remains highly unsatisfactory. And businesses may prove reluctant to exercise their legal rights against national governments.

It is also questionable whether it is right to strengthen further the individual rights of companies and citizens against member states. The European Court of Justice has already recognised the existence of individual rights to remedies (in particular injunctions and damages) to a remarkable degree. These remedies are probably much more efficient than the power – established by the Maastricht treaty – to fine member states which do not respect Court judgments.

A more promising initiative, I believe, would be to consider establishing legal and administrative structures in the member states to deal with state aid rather than leaving everything in the hands of the courts.

Three precedents come to mind. First, the Europe agreements reached with the central and eastern European countries seeking to join the EU require that they individually monitor their state aid. There was simply no other solution available because of these countries' special status as transition economies.

Second, the German Association of Industries proposed in 1995 enacting a national statute which would limit the granting of state aid, following some spectacular federal government rescue operations, chiefly in former east Germany. This proposal has recently been taken up by the German cartel office.

Third, cases such as Rover and Fokker show how useful national auditors can be in detecting illegal state subsidies. The EU could consider handing over responsibility for monitoring state aid to national audit courts.

The control of state aid points to an even bigger problem about the EU today. Public opinion expects EU law to be enforced rigorously and fairly. But the Commission simply does not have the means or the manpower to do the job. The problem is bound to get worse when the EU expands its membership to central and eastern Europe.

Therefore, it is time to stop thinking about building up even more power at the centre and to start thinking about devolving responsibilities to member states. Clearly, this is politically sensitive. But it is surely a more efficient approach than retrospective control of behaviour. As all anti-trust enforcers know, there is no better regulator than a market structure which favours competition.

Are these ideas compatible with the principle of subsidiarity, whereby decision-making in the EU is devolved to the appropriate level? The answer must be yes, provided that the loss in EU-wide regulatory authority is offset by a gain in efficiency in the market.

Subsidiarity is about bringing decisions closer to the citizen. The buck need not always stop with the European Commission.

The author is professor of economic law at the European University Institute in Florence and former head of the EU's competition directorate.

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e-mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

Effectiveness of World Bank and UN would gain by votes change

From Professor Sir Hans Singer.

Sir, Mr James Wolfensohn has proposed plans for a restructuring of the World Bank which would add $250m to its running costs over two years ("World Bank plans $250m restructuring", February 20). I have no quarrel with these proposals and I am not qualified to judge them. Given Mr Wolfensohn's high reputation I am quite ready to accept that these plans would add to the efficiency of the World Bank and pay for themselves in the long run.

However, I would point out the contrast between this request for another $250m (on top of a $150m for a redundancy programme, and a 32 per cent rise in administrative costs over the three years to 1994, all mentioned in your article) with the pressure for budget-cutting reforms in the UN.

What is the basic reason for this contrast? To my mind it is the organisations' different methods of voting and decision-making. In the World Bank, as also in the International Monetary Fund, the principle is more or less a-dollar-a-vote; this gives the OECD countries firm control. In the UN the voting and decision-making, at least in the General Assembly, is on the basis of a-country-a-vote; since decolonisation this gives the developing countries a good measure of control. Hence the powerful countries support the Bretton Woods system and withhold their support from the UN system.

Neither of the two voting systems is fully democratic. It should not be beyond the bounds of possibility to devise a common voting system for the two types of institution which would combine features of both present systems and introduce other elements. This would create a more level playing field in global management which can only improve its overall effectiveness. Is this not a task to which some thought may be given now? The reason for the sharply different voting is mainly historical.

The World Bank and UN were created on separate occasions and in circumstances when the different voting systems made less difference in control than they do today.

Hans Singer,
Institute of Development Studies,
University of Sussex,
Brighton, Sussex, UK

Fair price of genetics

From Mr Simon Yates.

Sir, Your editorial "Genetic tests" (February 19) states, uncontentiously enough, that "risks must be priced fairly and transparently in life insurance as in other markets". I fail to see how it follows that "Insurers must therefore be allowed to ask for genetic and other medical information, and to discriminate on the basis of the results".

There is nothing "unfair", about pricing which passes on the costs of complying with regulations widely believed to be socially necessary. Genetic testing raises considerable social issues which will require a careful response, extending far beyond life-insurance regulation. For example, should employers be able to turn down job applicants on the basis of genetic tests?

Of course not. Government legislation on the broad issue is inevitable, if only because a meaningful number of voters are likely to be disadvantaged by it. Such legislation is certain to have costs, whether these be from providing state-administered benefits to those disadvantaged, or from driving up prices by requiring the free market to comply with new regulations. There is no doubt in my mind which will cost less.

Simon Yates,
668 Greenwich St,
New York NY 10014, US

Logic of independent central bank

From Mr Walter Grey.

Sir, The greater independence you hailed as good for the Bank of Japan ("BoJ autonomy", February 7) must be just as good for others like the Bank of England.

The latter's metamorphosis was, of course, precipitated by Britain's self-inflicted ERM fiasco. Though the process has yet to run its full course as well as the full length of the economic cycle, whose demise it can powerfully accelerate, it has already contributed to a striking improvement in Britain's economic performance and prospects.

Here and elsewhere, moreover, the case for a fully independent (but properly accountable) central bank committed to the maintenance of sound money, or price stability, is being increasingly recognised, quite apart from the Maastricht Treaty's commandment to the same effect.

It is, briefly, that monetary discipline and politics do not mix, any more than do politics and the administration of justice.

Walter Grey,
12 Arden Road,
Finchley,
London N3 3AN,
UK

Regulators blind to conflict of interests in utilities

From Dr David Rudd.

Sir, In your editorial "Consumer woes" (February 18) you almost put your finger on the cause of those woes when you wrote: "Privatisation has entrenched the conflict of interest in the utilities between consumers and shareholders." Almost, but not quite.

Privatisation certainly created a probable conflict of interest, but it is the regulators, with their blind insistence on the RPI-X formula, who have entrenched it.

Neither more privatisation nor a windfall tax will resolve this conflict, as you rightly say. What is required is a regulation method which explicitly and quantitatively ties the shareholders' profits to each utility's success in reducing its prices and improving its services. When you kindly published two letters from me (July 8 1994 and May 23 1996), proposing such a method, three utilities showed some cautious interest, but not the regulators.

The reason why the latter are so wedded to RPI-X is not far to seek. They have by now a vested interest in their ever more protracted "public consultations", so called, and their parallel arcane negotiations with the utilities, which that formula necessitates and by which they can justify their staff levels. And the utilities do not rock the boat because their first-hand information is always more accurate and comprehensive than the regulators' second-hand information, so the utilities can get larger profits in the end from RPI-X than they could expect from a more explicit formula.

It will be a pity if this problem remains unsolved for no better reason than that both sides in those negotiations are content with the present arrangements.

David Rudd,
14 Colcokes Road,
Banstead,
Surrey SM7 2EW, UK

COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Monday February 24 1997

The saving of French banks

There is a depressing, never-ending feel to the Crédit Lyonnais story, and to the wider problems of the French banking sector. The state-owned bank keeps promising that it only needs one last dollop of state aid to straighten itself out. But it is now returning for a third helping, this time, apparently, for as much as FFr30bn of French government assistance.

Private sector French banks, notably Société Générale, have complained before at the unfair way in which the state has repeatedly bailed Crédit Lyonnais out of problems, while they have had to struggle on their own.

The force of their argument has grown as the size of the successive rescue packages for Crédit Lyonnais have expanded, and as the state-owned bank has begun to show an operating profit of FFr300m last year, while internal bank estimates suggest a tenfold profit increase this year. This is not surprising, given the FFr49bn of state support already provided.

Small wonder that Mr Marc Viénot, the chairman of Société Générale, has said he believes Crédit Lyonnais should be left with more "scars" in terms of forced asset sales, and threatens to take legal action in Brussels, where the new package is now being considered.

Que faire? If the sector was not banking and the country was not France, one could plausibly argue that the institution should be allowed to go bust. But while the French government is clearly not ready to countenance such a drastic remedy, it is ready to see Crédit Lyonnais taken over, even by a foreign bank. Last year it started to seek out potential foreign buyers. But none were forthcoming.

The lack of interest is not surprising. The general malaise of the French banking sector is not enticing to would-be purchasers. There are too many banks chasing too few customers, particularly of the corporate kind. Commercial banks are also fettered by social legislation, some of it prewar, on working time and flexibility.

Crédit Lyonnais has so far undertaken only to sell some of its foreign retail operations, while retaining and reinforcing its international wholesale banking activity.

Perhaps the time has now come for the government, and Brussels, to require the bank to sell some domestic branches or subsidiaries as the trade-off for yet more state aid. Crédit Lyonnais would probably howl at what it would see as an attack on its core domestic business, but such a strategy could help force the restructuring that French banking badly needs.

Wise investment

Mr James Wolfensohn has spent his first 18 months as president of the World Bank searching the organisation's soul. With private investment flooding into developing countries, and official aid programmes under fierce attack, the bank seemed to be losing its empire. Mr Wolfensohn had to show it still had a role.

The result of his efforts was revealed last week in the form of an ambitious restructuring programme to be put to the bank's executive board next month. Like many a restructuring proposal before it, the "strategic compact" promises fundamental reform. Over two years, it will transform the bank into a more effective, and more responsive partner in global development. That is the good news. The bad news is that it will cost $250m.

It is difficult to quibble with the programme's broad objectives. Who, after all, would not want to see the bank do a better job of combating poverty and underdevelopment? But when international organisations of every description are under pressure to downsize, it takes a certain cheek for the bank to ask to spend more.

Insiders deny that the programme is expansionary. They claim that the annual 11 per cent increase in running costs over the first two years of the programme is an investment in a "leaner, fitter" bank. By 2001 spending will have fallen back to only 3 per cent, in real terms, above the current level.

And yet, even if Mr Wolfensohn is not suggesting an expansion of the bank's role, the plan certainly rejects the view that it needs to be carved back. The aim is to make the bank "the best in the business". Many will wonder, however, whether it needed a more fundamental rethink: of what precisely its business was.

The "globalisation" of world capital flows leaves plenty for an effective international development bank to do. Indeed, over half of the developing world population has been hardly touched by the "globalisation" of investment flows since the early 1980s. The question is whether the bank can fill the many gaps in the market more effectively than anyone else. And if so, how.

In effect, Mr Wolfensohn is arguing that, to be up to the challenge, the bank needs to continue to be all things to (nearly) all countries. And he wants $250m, and two years, to prove it. It is a risky strategy. But the prize of improving the institution is probably worth the gamble. In two years, shareholders will have to take a long hard look at the bank – and the goals that have been set – to decide whether the investment has paid off.

Under attack

The spat between Labour and the Conservatives over Britain's defences shows signs of developing into a pitched battle. Mr Michael Portillo, the defence secretary, has unveiled Britain's new defence priorities; Labour has increased its cries that a complete and formal review of Britain's military commitments is needed to allocate the UK's limited defence funds.

In deciding which bang Britain should get for its buck, the starting point must be an assessment of what role the country wishes, and can afford, to play in the world. Neither party seems likely to give up Britain's global ambitions, nor the permanent seat on the UN security council which goes with them. But does the UK have the military to meet those pretensions?

There are signs that, in an effort to be all things to all men, the UK's military effort is being spread too thinly. To take just one example, Britain's hunter-killer submarine fleet is now barely large enough to conduct its minimum duties, escorting aircraft carriers and Trident nuclear missile boats. Negotiations over replacement submarines are bogged down because the astronomical development costs can only be amortised over three boats, making unit prices almost unaffordable. Similar problems afflict the army and the Royal Air Force.

Such difficulties are strong *prima facie* evidence that the forces are over-stretched. Since no more money is likely to be forthcoming for defence, and Britain is only likely to act in concert with its allies, there are good arguments to suggest that the UK should specialise, performing some tasks properly for the whole of Nato, while leaving others to its allies.

A defence review would be a good mechanism for deciding how effort should be concentrated; provided, of course, politicians gave the review sufficient scope to make real, hard choices. Here Labour seems to fall down. In an attempt to curry favour it has committed itself to a blue-water navy, to massed armoured brigades, to the Eurofighter and a host of other programmes.

This risks giving a defence review so little latitude that the uncertainty caused would not be worth the candle. Yet there are cuts which can be made: it makes little sense to have British armour in Germany, the sovereign bases on Cyprus look like a luxury, and peace with Argentina could make a Falklands garrison redundant.

Well equipped rapid reaction forces, effective naval defence of the eastern Atlantic sea lanes, and secure air defence of the UK are proper and proportionate contributions to collective security. If either party is prepared to be that radical, and truthful, then bring on the defence review. Anything else is pretension and fudge.

Red chips and dark horses

Companies backed by China will determine Hong Kong's business prospects when it returns to the mainland, says **John Ridding**

Champagne was served in the stewards box after Mr Larry Yung's new horse romped home *yesterday in the Hong Kong* Derby. In business too, the chairman of Citic Pacific, the local arm of Beijing's flagship investment vehicle, is making his mark through a string of strategic deals.

Mr Yung is not alone. After the British-owned trading groups and the local Hong Kong tycoons, it is now the turn of mainland-backed businesses to shake up the territory's corporate scene. Red chips, as they are known, are red hot. They are dominating market activity ahead of July's transfer of sovereignty and shifting the balance of business power.

Over the past year red chip companies have raised more than HK$11bn ($1.4bn) through placing new shares on the Hong Kong market, almost a quarter of the value of total placements. Investors, hoping to capitalise on the companies' mainland connections, have snapped them up, pushing red chip share prices higher by an average of 70 per cent last year.

This year has been more sedate. But the death last week of Deng Xiaoping, China's paramount leader, has removed a lingering cloud from investment sentiment and raises the prospect of a renewed rally.

Partly as a result of their share price rise, the 40 or so red chips account for more than 7 per cent of Hong Kong's stock market capitalisation. They are also increasingly active in mergers and acquisitions. Last month Citic Pacific took a 20 per cent stake in China Light & Power, one of Hong Kong's biggest utilities, in a HK$16.25bn deal. Last week China Everbright, another red chip conglomerate, completed the acquisition of a 20 per cent stake in International Bank of Asia and a smaller stake in the insurer, National Mutual Asia.

If the rise of the red chips is clear, however, the corporate upheaval leaves significant questions. Investors ponder the identity and strategies of the new business forces and whether their ascent can be sustained. Of more immediate concern in the approach to July's handover is whether the red chips will uphold or undermine the territory's business foundations and its promised economic autonomy.

Such concerns stem partly from the parentage of red chips, most of which are the commercial arms of ministries and state and provincial governments in mainland China.

Citic Pacific was set up by China's state council, the country's cabinet, which also holds a controlling interest in China Everbright, the financial and trading conglomerate. China Resources is the business arm of the ministry of foreign trade, while China Poly, the trading arm of the People's Liberation Army, holds a stake of almost 30 per cent in Continental Mariner, a small but ambitious red chip.

The risk is that political rather than commercial motives will shape their strategies and that transparency in business dealings will be obscured by guidance from the mainland.

Last year's restructuring of Hong Kong's aviation industry, for example, appeared partly driven by political pressures as Beijing sought a substantial stake in a strategic sector, says Mr John Mulcahy, managing director of W.I. Carr in Hong Kong. In the deal, Citic Pacific took a 25 per cent stake in Cathay Pacific, the territory's de facto flag carrier. A transaction this year, in which Mr Yung and other senior executives bought a bargain 15.5 per cent stake in Citic Pacific, was criticised in the investment community for its lack of transparency.

In the offices of the red chips, such concerns are dismissed. "Foreign investors can relax," says Mr Zhu Xiaohua, chairman and chief executive of China Everbright. "Our company is owned by the state council, but they never they give me directions or instructions."

Sitting in his harbour-front headquarters, Mr Zhu rejects the charge that mainland companies will use their political muscle. "I was a deputy governor at the People's Bank of China [the central bank] so I know that the government encourages companies here to be just like common companies and not to use their background."

In a barbed reminder that the playing field has rarely been level in Hong Kong, Mr Zhu adds: "Chinese companies will never be in a position like Jardines or Swires." The British trading groups, he says, long held sway over the territory's business and made use of political influence.

At China Resources, Mr Frank Ning plays down the importance of political connections during Hong Kong's transition to Chinese sovereignty. "People overestimate these things," says the conglomerate's managing director. "You can't rule out that some will try to use their influence but most managers in China realise that you have to play by the rules." The urbane Mr Ning does little to support the image that mainland businesses operate through political manoeuvres and secretive deals. He is more concerned by everyday issues, such as the potential of a small bottled water operation in southern China and incentive schemes for his staff, virtually all of whom are from Hong Kong.

One other prominent mainland businessman argues that the red chips themselves will act as guarantors of the Hong Kong system. "We all want to be blue chips. If you look at Citic it is now a Hong Kong company," he says, noting that the holding of its Beijing parent fell from 42 per cent to 26 per cent after the recent share purchase. "They now have a vested interest in protecting the local playing field."

Such arguments provide a measure of reassurance. But they fail to remove reservations. "I think they will play by the rules to the same degree they feel the local tycoons have played by the rules," says Mr Mulcahy at W.I. Carr. "But their interpretation of the rules in Hong Kong is that you use whatever clout you can bring to bear."

One US investment banker predicts a period of "the grinding of gears" as the new players seek to establish themselves. "Upheavals to the status quo can be uncomfortable," he says. "But they are also full of opportunities, for foreigners as much as locals."

For red chips and for the investors who have been chasing their shares, the question is whether they can deliver on these opportunities. "We are in a bit of a honeymoon period at the moment," says one European banker. "A lot of money has been invested simply in the hope that these companies establish themselves, graduate into properly managed enterprises and turn their alleged mainland expertise into earnings."

Some already have. Citic Pacific has seen net profits grow from HK$333m in 1990 to just under HK$5bn in the first half of last year as a result of earnings and exceptional gains from high-profile investments in telecoms and aviation. The group now predicts sharply rising returns from infrastructure projects in China. Its management team, drawn from the mainland and from international banking, has established a strong reputation among the investment community.

China Resources, the oldest red chip, has pursued a slower and steadier strategy but has also achieved critical mass in its trading and manufacturing businesses. China Everbright, after a dismal period of losses in property and financial investments, is also turning the corner. "This year will be very good," says Mr Zhu, as he outlines plans to restructure the group, strengthen its financial services arm and reorganise its management. Steady progress is predicted at other prominent red chips, such as China Travel and Guangzhou Investment.

Even for established groups, however, life is far from easy. Mr Ning at China Resources bemoans the rise in competition among China-backed companies in Hong Kong.

"When we had a monopoly in the silk trade we used to make US$30m a year," he says. Since the end of the 1980s, when the monopoly was ended, profits in that business have fallen by about 90 per cent.

At other red chips, there is often little strategy and the attraction goes no further than mainland connections. Continental Mariner has seen its share price double this year, even though it has launched two share issues and its core shipping business is struggling. The explanation lies in its connections with the People's Liberation Army and the prospect that mainland assets will be transferred into the company, a formula pursued by many red chips. "There is no clear business plan, at least in the usual sense," says one stockbroker.

The differences between the various red chips make it hard to generalise. "Not all will succeed in becoming regular companies, not all have the management to carry them through," says Mr Mulcahy. He adds that "if Hong Kong's biggest problem is badly managed conglomerates then that is a relief in a way".

It could also prove to be the biggest risk. One local executive says: "My main worry is that, if they can't succeed within the system, then it is the system that will suffer."

Should mainland businesses fail to establish themselves according to the rules then the rules may be bent, he believes. As this view suggests, the best scenario would be for Hong Kong's red chips to turn blue.

Red chip issues: snapped up by investors

		Company	Funds raised (HK$m*)
1996	January	Citic Pacific	3,240
	July	China Overseas Land & Investment	780
	August	Shougang Concord Century Holdings	86
	September	China Travel International Investment HK	792
	September	CNPC (HK)	152
	September	Guangdong Investment	419
	October	CNPC (HK)	232
	October	Cosco Pacific	1,550
	October	Guangzhou Investment Co	158
	October	Shougang Concord International Enterprises	187
	December	China Resources Enterprise	1,023
1997	January	China Travel International Investment	2,520

Source: Hong Kong Stock Exchange/companies — * nearest million

· OBSERVER ·

Volcker calls in Junz

■ Former World Gold Council economist Helen Junz, who left the organisation's London operation in the autumn to set up her own consultancy, has been hired by the international commission looking into the dormant bank accounts of Holocaust victims. Commission chairman Paul Volcker wants Junz to get a handle on the overall wealth held by Jewish and other communities before the second world war.

Junz reckons it will take at least a year to do the spadework; it involves sifting through prewar banking and tax records in every European country occupied by the Nazis. She's already started in the Netherlands, where record-keeping was assiduously maintained, before she moves on to more testing territories such as Poland and Hungary.

The idea is that her numbers will add to the work being done on behalf of the committee by international accounting practices, who are looking through the records of Swiss banks. "It's rare you get the chance to do something fascinating and do some good at the same time," she says. A well-known figure in the world of macro-economics, Junz spent time earlier in her career at the IMF, the OECD and the US Federal Reserve, where Volcker did his time as chairman.

Viet Nouveau

■ The British may not rule the world when it comes to wine-making but they can at least take credit for treading where other grape-crushers won't.

Allied Domecq, the UK drinks group, has just started making wine in Vietnam, where the more favoured tipples are beer, cognac and a particularly lethal type of rice-distilled spirit. But Allied Domecq hopes to change all that with its new winery, a $3m joint venture with the Communist party in southern Ninh Thuan province.

The idea might at first appear foolhardy but wine production is not actually new to Vietnam; about 100 years ago, French colonialists introduced the Cardinal grape to Ninh Thuan, where the climate is good enough to produce three harvests a year. Most other wine-producing countries manage only one.

Back in the 1960s, the French abandoned the vines but many kept growing; now Allied Domecq, with the help of Australian viniculturists, is using them to produce around 35,000 tonnes of grapes a year.

The result is a range of red, white and sparkling wines under the "Thien Thai" (paradise) label, though the French haven't yet remarked on the attractions of the cheeky newcomers. More importantly, however, at $6 a bottle the product should go down well with upwardly mobile urban Vietnamese.

Unhealthy glow

■ Alerted by screaming detector devices, Belarusian border guards have found a wad of radioactive hundred-dollar bills being carried by a Moscow businessman. Some of the notes, part of a $30,000 bankroll, proved so radioactive they are regarded as a serious danger to public health. The authorities say they are now trying to trace where on earth such hot money came from.

Foot in mouth

■ Much consternation over at US footwear manufacturer Reebok, having accidentally named a womens' running shoe after an evil spirit which preys sexually on sleeping females.

A public outcry has forced the company to change the name of its "Incubus" trainer; Reebok says that selecting a nocturnal demon as a brand name was an honest mistake. It was chosen because it sounded like "incubate" and they hoped it would conjure up images of comfort and re-birth.

Still, in one sense "incubus" turned out to be wholly appropriate; it also means "nightmare".

Corking

■ Undeterred by his political difficulties – such as making sure Germany qualifies for economic and monetary union – Chancellor Helmut Kohl has found time to honour a five-year old bet.

Former FT man David Marsh, now at investment bank Robert Fleming, agreed a wager with Kohl at the end of 1991 on whether monetary union would take place in January this year, the first date set by the Maastricht treaty. The chancellor was sufficiently optimistic at the time to bet that not only would the single currency become a reality in 1997 but that Britain would join on that date.

Marsh dissented and wagered six bottles of wine: English if Kohl was right, German if he was wrong. With the deadline passed, Kohl has manfully paid up. Marsh last week received six bottles of fine white from the vineyards of Gimmeldingen, in Kohl's native Rhineland Palatinate.

The Financial Times

100 years ago

Bloodshed In Crete
There has been more bloodshed in Crete, and the Greeks, although victorious, have had a taste of the fighting quality of the Turk. The position is a peculiar one, and were it not for its possible serious consequences would be highly ludicrous. Greece is actually at war with Turkey, but the war is unofficial, and so far unrecognised in high Court circles. King George has announced his intention of annexing Crete, and the great Powers of Europe, though professing to be adverse to such precipitation, are winking the other eye with a vigour which can scarcely impose upon so astute an observer as the crafty Sultan. Germany is sulking in her tent because her proposal to blockade Crete is rejected.

50 years ago

Swedish Ship Compensation
Stockholm, 23rd Feb. I understand that Swedish banks and British interests (acting on behalf of U.K. insurance companies) have reached an agreement on compensation for ships which during the war were forced to stay in Gothenburg for a certain time and were later sunk by the Germans.

FINANCIAL TIMES
Monday February 24 1997

Myth-makers out to market Deng legend

By Tony Walker in Beijing

A *free market in myths and memorabilia* of Deng Xiaoping, China's deceased paramount leader, is emerging ahead of his state funeral tomorrow.

Deng, who scorned myth-making in life, might in death be burdened with stories of improbable achievements, such is the *lingering Chinese* attachment to mythologising its departed leaders. One village north of Beijing is attributing the gift of water-divining to its dead leader, who is already credited with great feats in war and peace.

According to residents of Niulanshan, Deng appeared in the middle of a terrible drought in 1960 and, tapping a walking cane on the ground, indicated to villagers where they might find water. "Don't pray to God for water but dig here," Deng told the parched villagers. A drilling team arrived and water gushed from an underground spring.

Deng, who was 92, may not have achieved the godlike status of Mao Zedong, but the Chinese appetite seems considerable *for both mythologising* and, more important these days, commercialising dead "emperors".

A small industry appears to be developing in Deng memorabilia. Postage stamps commemorating Deng have leaped in value. Shops selling books, posters and other Deng artefacts are besieged. "Some people, of course, are very sad," said a stamp trader. "But in China, we have a saying, 'The world keeps on turning'."

Deng, who coined the phrases "to get rich is glorious" and "socialism doesn't mean poverty", would probably approve, but might find it strange that people are seeking to profit from his likeness.

In Shanghai, where money is god, Deng memorabilia has been selling well, according to the local Liberation Daily. It said thousands of posters, entitled "The Architect of China's Opening, Reform and Modernisation – Deng Xiaoping", had been rushed to Shanghai bookstores to meet demand. But it is in Sichuan, Deng's home *province, that most reverence* is being shown for the "great architect" of China's modernisation. Tens of thousands of mourners visited the courtyard of the house of his birth. In Chengdu, the provincial capital, 10,000 people carrying candles mounted a vigil in the main square – in spite of an official ban on mass displays of grief.

In Beijing, people who sought to lay wreaths at the memorial to revolutionary martyrs in central Tiananmen Square were turned away: the authorities are intent on preventing the occasion being used for protest.

But one area of possible profit from Deng's death has proved disappointing – films. The authorities instructed the city's cinemas to show re-runs of films honouring Deng, but response was so poor that several theatres have shut during the six-day period of mourning until Wednesday, the day after the official funeral.

Investors switch bond holdings on fears of Emu delay

By Richard Lapper, Capital Markets Editor

International bond fund managers have reduced their exposures to French, Italian and Spanish bonds in the past month, reflecting increasing concern that European monetary union could be delayed.

Only 11 per cent of investors interviewed in a survey published today said they favoured French bonds, compared with 31 per cent a month ago.

The number of investors considering themselves "overweight" in Italy has also declined – from 39 per cent to 25 per cent. The prices of Italian and Spanish bonds rose sharply in 1996 amid hopes that both countries would become founder members of monetary union in 1999. "There are serious problems with economic convergence," said a London-based fund manager. "People are getting cold feet."

The survey, by Lehman Brothers, the US investment bank, shows more investors have increased their exposure to German government bonds, traditionally considered the most secure in Europe. Investors have also increased their exposure to UK and US government bonds, sterling and the dollar.

The 38 global fixed-income funds surveyed by Lehman have increased their holdings of US dollars to their highest levels for 18 months while holdings of Italian lire are at their lowest for nearly two years.

"Over the last couple of weeks, there has been a clear pick-up in concerns about whether Emu will take place in time and whether the high-yield markets [such as Spain and Italy] will be allowed in on the first round," said Mr Adrian Owens, European economist with Julius Baer Investments, the specialist fund manager.

Countries such as Italy and Spain have reduced inflation and are lowering their budget deficits toward the 3 per cent of gross domestic product target stipulated in the Maastricht treaty. But analysts say *there are new concerns* the German government will resist efforts by both countries to become members in the first round.

*Mr Mark Fox, chief Euro*pean strategist at Lehmans, said recent statements by officials indicated that Germany had "embarked on an expectation management exercise and it is working. Pricing of bonds had previously indicated too great a degree of confidence".

Delay haunts EU, Page 2
Austria's route, Page 24

Gazprom chiefs fend off foreign investment move

By Chrystia Freeland in Moscow

Regent Gaz yesterday abandoned its plan to invest in domestic shares in Gazprom, Russia's largest company, after *intense pressure from* Gazprom management.

The decision by the investment company, which is part of the Hong Kong-based Regent Pacific investment group, is an important victory for Gazprom executives and could dissuade other foreign investors from pursuing similar schemes.

Regent Gaz is an offshore investment company established this month to take advantage of the huge price differential between domestic Gazprom stock and the American Depositary Receipts issued by Gazprom for foreign investors.

But Gazprom, which controls some 30 per cent of the world's known natural gas reserves, reacted furiously. In a letter last week, Mr Rem Viakherev, the Gazprom president, told Regent to disband the company and described the plan as a "threat to national security".

Regent, a big portfolio investor in Russia which is keen to retain a good relationship with the local political and financial *establishment, obeyed.*

"The board has taken this decision with regret as we continue to believe that our strategy to help passive investors participate in RAO Gazprom's success was appropriate and legal," said Ms Sophia Shaw, the director of Regent Fund Management.

Regent Gaz, which had attracted $200m for the Gazprom buy, said shareholders would be given an opportunity to redeem their investment.

Regent officials said lawyers had advised them that their mechanism for buying domestic Gazprom stock was legal. However, a Regent statement said the Gazprom management's hostile reaction made it "inadvisable" to pursue the scheme.

The episode suggests that Gazprom, a favourite with international investors, remains committed to its two-tier share system and its pol*icy of tight control over the* ownership of its stock.

Foreign investment is limited to 9 per cent of the company. Outsiders were given their first opportunity to buy last year, when 1.15 per cent of Gazprom's equity was sold in the form of ADRs, offered at four times the price of domestic shares.

That differential has been irresistible to foreign traders hoping eventually to exploit the tremendous arbitrage opportunity between domestic and foreign shares.

Nato deal

Continued from Page 1

attacks from within his own *camp, as discontent in Russia's* underfunded army continues to grow.

In an impassioned speech yesterday, Mr Igor Rodionov, the minister of defence, warned that the army was living on "emergency reserves" and if radical measures were not taken "by 2000 or thereabouts our country's defences could be in ruins".

Shell faces vote on ethical policy

Continued from Page 1

report to shareholders before *the end of this year on its* operations in Nigeria, which have been the focus of pressure group campaigning for several years.

Shell Transport & Trading, a UK quoted company, and Royal Dutch Petroleum, quoted in the Netherlands, own the Royal Dutch/Shell group on a 40:60 basis.

The company confirmed that the resolution had been lodged and that shareholders would be voting on it at the annual *general meeting.*

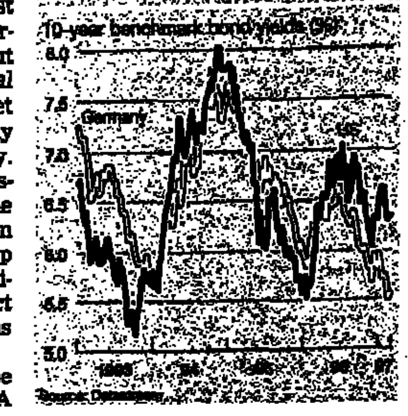
"We are considering our response to it at the moment," the company said.

It also said that the issues raised in the resolution were being covered by the company's current review of its so-called Statement of General Business Principles, which deals with environmental issues.

THE LEX COLUMN

Bond bonanza

Mr Alan Greenspan, chairman of the US Federal Reserve, warned last December about "irrational exuberance" in the US equity market. But *what about bond markets? Global* growth is clearly picking up, yet bonds in both the US and Germany are entering dangerous territory. Yields in Germany have never sustained a fall below 5.5 per cent, the level they are fast approaching. In the US, meanwhile, the gap between bond yields and the nominal rate of gross domestic product growth – currently around 100 basis points – is close to a 10-year low.



Records, of course, are made to be broken. Is now such an occasion? A case can be made in Germany. The economy is likely to pick up this year, but the prospect of higher interest rates is remote. Monetary union developments also appear to favour bunds. The market had been discounting a broad, soft Emu, but a narrow Emu or delay now seem more likely options. It does, however, stretch credulity that record low long-term rates should be achieved just at the time when the very bedrock of German financial stability, the Bundesbank, may be about to disappear.

Ironically, the biggest threat to bunds probably lies in the US. The combination of steady growth and tight labour markets will continue to make investors nervous about higher rates. And if bond prices do fall, Germany is likely to be caught in the backwash. In the short term, however, the odds favour a further widening of the treasury-bund spread, normally a support for the dollar.

GEC/BAe

It is difficult to know which is less surprising: that British Aerospace and General Electric Company have been in serious merger discussions, or that the talks have apparently foundered. With GEC's most attractive opportunities boxed in by French politics, the old chestnut idea of merging Britain's two *big defence groups was almost* bound to be revived.

But to describe this as a second best solution would be charitable. The overlap between the two businesses is real but modest; it *is* unlikely to be enough to justify GEC shareholders paying a big premium to acquire BAe. And while a genuine merger is conceivable, all the usual difficulties of negotiating a combination of two not-very-equals apply.

In any case, it is not obvious that a vertically integrated merger with BAe would strengthen GEC's position much where it matters – in the slow restructuring of Europe's, and particularly France's, defence industry. On one view, a combined UK grouping would have so much clout that French companies would have little choice but to ally with it. Yet it is also possible that the creation of an even more daunting UK business would only exacerbate French nervousness about allowing treasures to slip out of their hands. In short, GEC shareholders need not be too bothered that the opportunity to ally with BAe has been tried without – at this point – apparent success. All the same, its difficulties putting together even this deal underline how little of GEC's fate lies within its own control.

Yorkshire/AEP

If the rumoured 860p a share genuinely is the price on offer from American Electric Power for Yorkshire Electricity, the UK company should reject it. At first sight, such a price does not look bad. It implies an enterprise value of about seven times this year's likely earnings before interest, tax and depreciation – a higher multiple than CalEnergy paid for Northern Electric or *Dominion Resources* for East Midlands Electricity. On the other hand, this comparison allows nothing for Yorkshire's 22 per cent stake in Ionica. And taking that into account, an 860p offer is certainly less attractive than the most recent agreed deal in the sector – that for London Electricity from Entergy. Of course, there is no guarantee that AEP might not still win if it went hostile at 860p. But so far at least, hostile bidders in this sector have not won without making some increase over their initial offer.

We may also be reaching the point where the remaining regional electricity companies have scarcity value. True, Yorkshire *is not quite* the last; Southern Electric also remains; the Energy Group is coming back on to the market; and there is always Northern Ireland Electricity and the two Scottish generator-distributors. Moreover, there is no guarantee that the supply of US utilities willing to buy recs for more than they are worth is limitless – especially in hostile and politically controversial situations. Nevertheless, Yorkshire's management should surely not relinquish their independence without at least giving the possibility of a counter-bidder a try.

Christian Salvesen

Shareholders in Christian Salvesen face a difficult choice. Management plans to pay out a £100m special *dividend and split the company* into two – the European logistics business and Aggreko plant hire. But a group of rebel shareholders, led by former chairman Sir Gerald Elliot, *want to shelve these* proposals, install a new chief executive and expand the company by acquisition.

The rebels' main argument, that Salvesen *could be run better,* strikes a chord. Top management's track record is unimpressive. And the rejection of last summer's bid approach from Hays, worth 390p a share at the time, looks a very poor decision. Despite the launch of its own restructuring plan, Salvesen is trading at just 314½p.

But diagnosing the problem is not the same as solving it. Mr John Grant, the rebels' candidate for chief executive, is a former finance director of Lucas and has no experience of Salvesen's markets. His objection to the management's proposed £100m dividend, on the grounds that a more indebted group could not invest sufficiently, is doubtful. Even after paying it, interest cover would still be five times. Nor would saving that £100m give him sufficient firepower to help consolidate the industry, when rivals such as Transport Development or Tibbett & Britten would cost over £300m. As it stands, shareholders' best bet is to pocket the £100m and hope that Salvesen's two arms, once independent, are gobbled up. Backing the management looks the lesser of two evils.

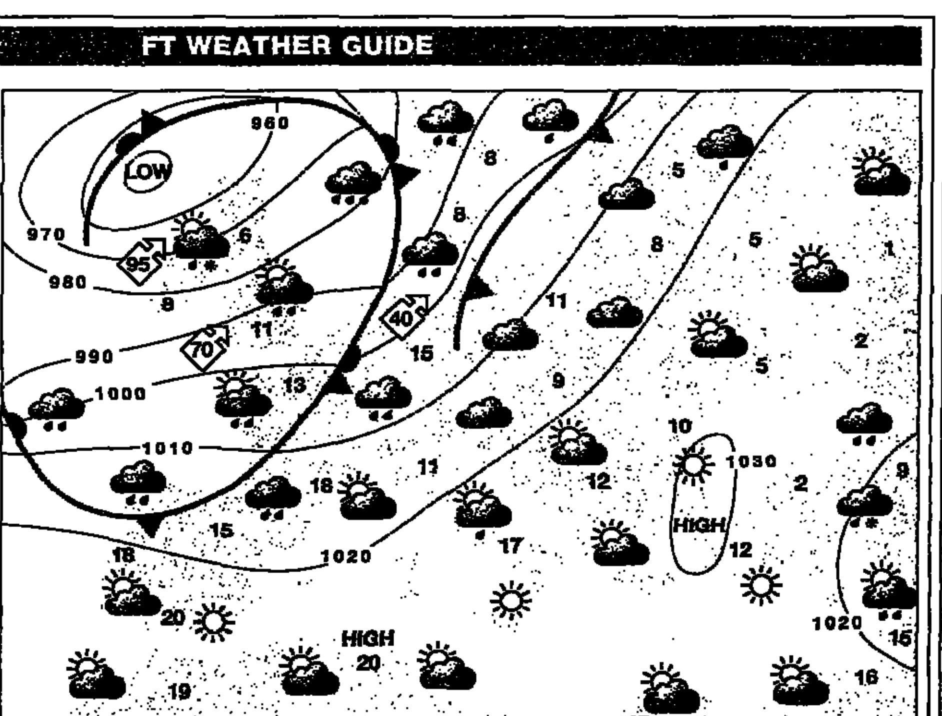
FT WEATHER GUIDE

Europe today

Most of northern and western Europe will be wet, windy and cloudy. Northern Scotland will have south-westerly storm-force winds. The Benelux and France will be cloudy *with periods* of rain. The Mediterranean will mostly be sunny. The Balkans and Greece will have plenty of sunshine. *Turkey, Lebanon and Israel* will have frequent showers.

Five-day forecast

It will stay unsettled. *Depressions will move from* the Atlantic across the British Isles. Their associated fronts will cross western Europe bringing *cloud, rain and some* strong winds.



TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

	Maximum	Belfast	sleet 6	Casablanca	sun 18	Gibraltar	fair 20	Manchester	shower 9	Rome	shower 16
	Celsius	Belgrade	fair 12	Chicago	snow -2	Glasgow	sleet 7	Manila	shower 30	S. Frsco	sun 18
Abu Dhabi	sun 27	Berlin	cloudy 12	Cologne	cloudy 14	Hamburg	rain 14	Melbourne	fair 25	Seoul	fair 12
Accra	fair 31	Bermuda	fair 22	Dakar	sun 29	Helsinki	rain 6	Mexico City	fair 26	Singapore	shower 30
Algiers	fair 20	Bogota	shower 21	Dallas	rain 12	Hong Kong	fair 20	Miami	fair 27	Stockholm	rain 8
Amsterdam	rain 10	Bombay	sun 31	Delhi	sun 27	Honolulu	fair 27	Milan	shower 11	Strasbourg	rain 17
Athens	fair 13	Brussels	rain 12	Dubai	sun 26	Istanbul	sun 11	Montreal	snow -4	Sydney	shower 25
Atlanta	sun 18	Budapest	fair 11	Dublin	shower 8	Jakarta	shower 29	Moscow	cloudy -1	Tangier	fair 18
B. Aires	fair 28	C.hagen	rain 9	Dubrovnik	fair 16	Jersey	shower 10	Munich	cloudy 15	Tel Aviv	shower 14
B.ham	shower 9	Cairo	fair 16	Edinburgh	hail 6	Karachi	fair 30	Nairobi	sun 30	Tokyo	sun 10
Bangkok	fair 35	Cape Town	fair 27	Faro	fair 17	Kuwait	sun 21	Naples	shower 14	Toronto	snow -4
Barcelona	sun 16	Caracas	fair 28	Frankfurt	cloudy 13	L. Angeles	sun 17	Nassau	fair 27	Vancouver	fair 11
Beijing	fair 8	Cardiff	shower 8	Geneva	rain 14	Las Palmas	sun 22	New York	fair 5	Venice	fair 10
						Lima	cloudy 27	Nice	shower 15	Vienna	cloudy 9
						Lisbon	shower 18	Nicosia	fair 14	Warsaw	cloudy 11
						London	shower 11	Oslo	rain 8	Washington	fair 5
						Lux.bourg	rain 12	Paris	rain 13	Wellington	shower 22
						Lyon	shower 17	Perth	shower 26	Winnipeg	snow -9
						Madeira	fair 19	Prague	cloudy 9	Zurich	shower 14
						Madrid	fair 15	Rangoon	sun 34		
						Majorca	sun 18	Reykjavik	snow -3		
						Malta	fair 19	Rio	fair 32		

Turkey tries to promote US ties

By John Barham in Ankara

Some of Turkey's most influential politicians, business leaders and soldiers arrive in Washington today for three days of speeches, seminars and cocktail parties to strengthen traditionally strong ties with Washington and repair their country's battered image.

Ostensibly, they are gathering for the annual meeting of the Turkish-American Council, a business group. But Mr Abdullah Gül, minister of state, a confidant of Mr Necmettin Erbakan, Turkey's Islamist prime minister and the delegation's star attraction, says: "There is hardly any other country with which we have such a close and deep relationship. We want to improve relations even more."

The Islamists view the US as more sympathetic to Turkey in comparison with other European countries. Washington sees Turkey as strategically vital and wants to anchor it more firmly in the western world, including stronger links to the European Union.

Before coming to power last July, Mr Erbakan criticised the west and promised to cut ties with the EU. Now he demands a greater role for Turkey in western counsels and expects Washington to support him.

Ankara is assiduously courting the Clinton administration. Last month, Mr Fehim Adak, the Islamists' senior economics minister, visited Washington and New York where he met Mr Robert Rubin, treasury secretary.

Mr Erbakan has not sent officials of similar calibre to Europe. Mrs Tansu Çiller, his secularist foreign minister and coalition partner, travels frequently to Europe only to repeat Ankara's increasingly tough stance towards the EU and Nato.

Turkey has threatened to attack if the Greek Cypriot government deploys Russian-made missiles, and to block Nato expansion unless it wins a promise of EU membership, and is strengthening ties with Iran.

These policies naturally alarm Mrs Madeleine Albright, US secretary of state, who has said: "It is important for [Turkey] to continue to be a secular country." However, Mr Gül says he will "explain sincerely all the issues which [irritate] America".

The government has also sent Mr Turhan Tayan, the secularist defence minister at the head a large military team, underlining Turkey's strong defence relationship with the US.

The presence of two of Turkey's wealthiest businessmen, Mr Rahmi Koç and Mr Sakip Sabanci, is aimed at underlining that the economy is growing, despite great volatility and that privatisation is edging forward.

However, Mr Gül will probably find that Europe and the US differ over Turkey in degree rather than substance. Ankara's foreign policy, its widespread human rights violations, and its chaotic economy alarm the US as much as Europe.

'Offensive budgetary strategy' to consolidate public finances and stimulate growth

Bonn hints at cuts in welfare

By Peter Norman in Bonn

The German government yesterday gave a strong hint that any future spending cuts would focus on welfare benefits and social programmes and that public sector investment would be protected in the hope of promoting job creation.

Mr Peter Hausmann, Bonn government spokesman, said "public spending on consumption" must be reduced to give scope for investment, adding that cuts could set the stage for "further measures" to combat unemployment.

Reporting on a meeting between Chancellor Helmut Kohl and the leaders of his coalition of Christian and Free Democrat parties, he said they had spoken of an "offensive budgetary strategy" in which efforts to consolidate public finances and stimulate growth would interact to promote employment.

Mr Hausmann's remarks, although lacking in detail, were seen as a sign that the government intends to hold back for the time being from imposing a budget freeze that would cap the amount departments are allowed to spend without the explicit approval of Mr Theo Waigel, the finance minister.

Speculation about early action along the lines of the freeze imposed in March last year has mounted since the government forecast that Germany's public sector deficit this year would amount to 2.9 per cent of gross domestic product, just under the Maastricht deficit criterion for economic and monetary union, and news of January's 0.5m jump in unemployment to 4.66m.

While Mr Waigel has not ruled out a spending freeze, yesterday's meeting took the view that such draconian action would hit investment and jobs. The finance ministry has reported that last year's freeze trimmed 1996 federal spending by about 1 per cent to DM456bn ($269.80bn).

The statement issued after yesterday's coalition meeting was also a signal to the opposition Social Democratic party ahead of talks next Monday which are due to seek a compromise allowing some elements of the government's tax reform pro gramme, planned for 1999, to enter force at the beginning of next year.

The coalition called on the opposition to end the blockage in the Bundesrat, the second chamber representing the states, of government legislation which would have provided the federal budget with DM11bn of extra funds in 1996 and 1997. It said it would seek opposition support for the long delayed abolition of the local trading capital tax.

The government also renewed its appeal to employers and unions to do all in their power to boost employment amid signs that it is becoming impatient that deregulation measures have not produced a hoped-for wave of hiring.

Hungarians go back to their old life

A crippling social security levy on the self-employed is killing entrepreneurial ambition, writes Kester Eddy

Andras Lieszkovszky, 31, a part-time translator, handed back his self-employed permit in Budapest last month to the very same official who issued it two years ago. "She had the same old typewriter," he said. "Nothing had changed."

But things *have* changed – social security contributions levied on the self-employed have increased sharply since the new year. That is why thousands of Hungarians have been abandoning "entrepreneurial life" and handing back the permits that gave them self-employed status.

Some estimates put the number as high as 20,000 since the new year and there would have been more, if some local council offices had not run out of the necessary forms.

At a stroke, the monthly contributions for all self-employed people were raised to 45 per cent of income with a minimum of Ft7,650 ($45), a serious sum when take-home pay is typically $200.

The government raised the rate to try to cut the country's social security deficit, which last year ballooned to more than Ft70bn ($400m), four times the annual target.

Reformers have a point, as the 800,000 self-employed contributed only 1.5 per cent of social security contributions last year.

But, even so, why hit the self-employed? The answer lies in the way Hungary's private economy developed tentatively in the late 1980s, when the communist regime encouraged part-time work just as social security costs were already on the rise.

The government increased non-wage burdens on enterprises, and many of them – at least in the private sector – slid out of providing full-time employment.

In some enterprises, staff were hired on a minimum salary, in effect just for Monday, and worked the rest of the week on contract. In this way, non-wage costs were curbed, if not slashed.

For other workers, genuine part-time jobs after hours allowed them to make up a living wage.

However, critics say the increase in social security contributions has backfired and will drive more people to join the "hidden economy".

Social security officials admit the new law is problematic. Mr Istvan Szabo, head of IPOSZ, an entrepreneurs' group, estimated that half the self-employed were in fact working part-time, and of these, between 100,000 and 150,000 would hand back their permits by the end of the year.

"Afterwards, many of these will work in the hidden economy," he said.

A number of entrepreneurs' organisations have turned to the constitutional court for a ruling on the issue and the government seems to be having second thoughts.

Earlier this month it announced a proposed amendment that would ease the burden. The minimum contribution for self-employed people who also have one main job would be halved to Ft3,825.

For Mr Lieszkovszky, that is all in the past. He has founded a partnership, and located an accountant with whom "we can get round it better".

As he surveyed the forms to renounce his self-employed status, he saw one was to cancel his compulsory chamber of commerce fee. This, effectively another tax, was for a chamber he had never wanted, charging a fee he has never paid. Now he worries it will charge him retrospectively.

He also has to pay the minimum social security contributions for January, but does not know how. He just wants to get on with life. "I don't bother about all these things," he said.

And the female official he saw was unable to offer advice. She said: "I can't say anything about the social security lot, they're a state within a state."

Serbian protests grow over unpaid wages

By Guy Dinmore in Belgrade

Serbian textile workers said yesterday they would go on strike next week, adding to widening unrest across the Yugoslav republic.

Their union, representing textile, leather and footwear workers, said it would call out workers from next Tuesday to demand better conditions for the sector which is operating at less than half of capacity.

The union said 70 per cent of workers were not being paid, a situation repeated in several industrial sectors because of a liquidity crisis caused by the socialist government's tight grip on money supply.

Belgrade newspapers said workers at the Zastava car plant in Kragujevac were on strike. One of their demands is payment of January wages. The Zastava plant is holding talks with South Korea's Hyundai group over possible investment in Serbia.

More than half Serbia's teachers have also been on strike since early this month. Bus drivers in the capital staged a limited strike on Monday. Belgrade's state-controlled Politika television station has been hit by a strike by part-time workers who say they have not been paid for two months.

Analysts said workers in Serbia were generally reluctant to protest for fear of losing their jobs, but deteriorating economic conditions were forcing them to take action. So far, workers have shown only limited support for the pro-democracy opposition coalition which staged three months of protests to force the government to recognise its victories in local elections last November. The results were reinstated last week.

Inflation is close to an annual 100 per cent and the government fears renewed hyper-inflation if it relaxes its grip on credits to the huge and inefficient state sector. Companies are having to resort to barter instead of cash payments. The official unemployment rate is 26 per cent but the real figure is reported to be 53 per cent when workers on forced leave are included.

Finns on line to meet 'all Emu targets'

By Greg McIvor in Helsinki

Lipponen: confident

Finland said yesterday that gross public debt would rise slightly in 1997 but would remain below 60 per cent of GDP, enabling it to meet all conditions for joining the proposed single European currency.

In a 1997 economic forecast, the finance ministry said this year's budget deficit would drop to 1.9 per cent of gross domestic product, well inside the Maastricht treaty's 3 per cent hurdle. Annual inflation was estimated at 1.2 per cent.

Mr Paavo Lipponen, prime minister, stressed Finland's determination to be among the founder members of the new currency. "We wanted to make sure that in every respect we were among those member countries which will be evaluating the others," he told the Financial Times.

Finland would press for strict interpretation of the convergence criteria, though Mr Lipponen expressed confidence Germany and France would "take the necessary measures" to ensure they qualified.

But "we have really made sacrifices to do what is right, cutting expenditure on a scale almost without comparison. I don't think some countries have really started making necessary cuts in expenditure."

Some observers had thought Finland's public debt might narrowly exceed the 60 per cent ceiling, but the finance ministry has predicted a rise to 58.5 per cent of GDP this year, up from 58 per cent in 1996.

GDP would expand 4.6 per cent, after a 3.2 per cent rise last year, underpinned by a 3.8 per cent rise in private consumption and a forecast doubling of private investment growth.

Economists said Finland appeared to have entered a virtuous circle of strong growth, low interest rates and weak inflation. It follows two years of tough spending cuts by the five-party coalition, which includes Conservatives, the former communist Left Alliance and Social Democrats.

The key headache remains unemployment, at 16.3 per cent at year-end. The finance ministry forecast joblessness would dip below 15 per cent this year. But it warned an expansion of job training would restrain supply of labour and was "a risk factor" for employment.

LEGAL NOTICES

KEB INTERNATIONAL LIMITED

TO: THE NOTEHOLDERS OF ALL ISSUES FOR WHICH WE ACT AS FISCAL REFERENCE, PAYING OR REDEMPTION AGENT:

CHANGE OF ADDRESS

We hereby give notice that all notices to us pursuant to any agreement or arrangement subsisting as at 17 February 1997 should be addressed, telephoned, telexed or faxed (as relevant) to our new premises as from either (1) 17 February 1997, or, if applicable, (2) such date which is calculated by reference to the date of this notice in accordance with any applicable terms, if any, contained in any relevant agreement.

NEW ADDRESS

2nd Floor
Crosby Court,
38 Bishopsgate,
London, EC2N 4AJ

NEW TELEPHONE AND FACSIMILE NUMBERS

Telephone: (0117) 650 1500
Facsimile: (0171) 650 1501 / (0171) 588 0925

ALL OTHER DETAILS REMAIN UNCHANGED

Genetic research 'threatens liberty'

By Clive Cookson in Seattle

Genetic research is beginning to erode civil liberties – and threatens to spawn a "genetic underclass" of people suffering unfair discrimination in insurance and employment, *the American Association* for the Advancement of Science heard yesterday.

At the end of a meeting *that has celebrated* the promise of genetic research for improving human health, doctors and policymakers warned that the genetic revolution also had a downside. Tests now being developed can indicate susceptibility to diseases ranging from breast cancer to Alzheimer's.

Dr Paul Billings, an associate medical professor at Stanford University who also runs a Veterans Administration clinic in San Jose, California, said his own research showed that "genetic discrimination is already occurring in insurance and employment settings and is reaching the areas of adoption and military service".

"If policy does not match advances in technology in this field, we will see an increase in those who have no symptoms but are treated as if they are ill – the genetic underclass."

One particular concern of several speakers at yesterday's session was a huge genetic databank to which *all members of the US armed* forces must contribute a DNA sample.

"The storage of genetic *information in DNA banks* like the one maintained by the Department of Defence has already produced important problems," Dr Billings said. "There have been several courts-martial of people who haven't agreed to contribute to the DNA bank."

Professor Philip Bereano of the University of Washington agreed that privacy was a key issue. "Civil liberties are imperilled by massive data collection programmes, databank storage and maintenance practices, and policies governing who should have access to such information," he said.

Mr Jim McDermott, a US congressman from Washington, said he would introduce a bill in Congress this year to strengthen the protection of medical privacy.

The measure had new urgency, he said, because the federal "administrative simplification" law enacted last year to streamline the computerisation of medical records "threatens the privacy of...genetic information.

"It is important not only to prohibit genetic information but also to prevent it," Mr *McDermott said.*

Editorial Comment, Page 13

Netanyahu faces Jewish settlements revolt

By Avi Machlis in Jerusalem and David Gardner in London

A group of Likud MPs yesterday threatened to withdraw support from the Likud-led Israeli coalition government if Mr Benjamin Netanyahu, their prime minister, delays building a Jewish settlement in occupied East Jerusalem.

Plans for the Har Homa settlement have also brought threats of a backlash from the Palestinians, who say it will jeopardise the peace process.

"The situation in Jerusalem is dangerous," said Mr Faisal Husseini, a Jerusalem-based member of the Palestine National Council. "The Israelis are pushing us towards the point of explosion."

Mr Ahmed Qorei (Abu Ala'a), speaker of the Palestinian legislature and architect of the Oslo peace accords, warned in London yesterday that the Israelis were "playing with fire". If renewed fighting broke out over Jerusalem neither Israel nor Mr Yassir Arafat's Palestinian Authority would be able to control the reaction of the Palestinians, he said.

"The Israelis are negotiating with themselves," Mr Qorei told a meeting of the London-based International Campaign for Jerusalem, "but the party they have to reach agreement with if they want peace is the Palestinians."

The rebellion against Mr Netanyahu is headed by Mr Michael Kleiner, a Likud member of parliament and leader of the Land of Israel Front.

The 17-member Knesset grouping has pledged to force the prime minister to expand Jewish settlements in the occupied West Bank and East Jerusalem. It opposed the recent Knesset vote to approve the Israeli redeployment from the West Bank town of Hebron.

"The coalition cannot function without us," said Mr Kleiner. "The prime minister will have to decide if he prefers our support or to delay building."

Mr Netanyahu said yesterday a ministerial committee would debate next week whether to build Har Homa in south-east Jerusalem. He said Israel had decided to pave a new section of road north of Jerusalem in the occupied West Bank, another demand of Mr Kleiner's group.

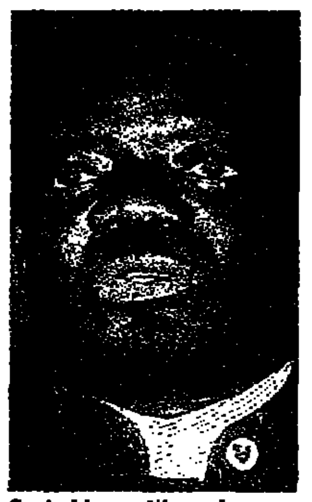
With the two projects, Israel aims to strengthen its position in Jerusalem, cutting off the Arab east of the city from its West Bank hinterland by establishing "facts on the ground" before final-status peace talks, scheduled to begin on March 17 and conclude by May 4, 1999. These will deal with Israel's borders, the fate of more than 4m Palestinian refugees and the status of Jerusalem and Jewish settlements in the West Bank and Gaza Strip.

Mr Netanyahu, who has ultimate authority to block the Har Homa settlement, has so far not given his approval, fuelling speculation he may be under pressure from Washington not to do so.

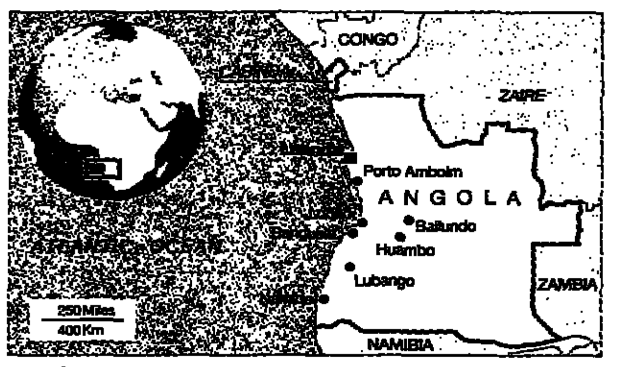
Yesterday, the Land of Israel Front said it would not attend parliamentary debates today to protest against Mr Netanyahu's delay. Mr Kleiner also said his group might withdraw their support from the Likud-led coalition if Mr Netanyahu backed away from the Har Homa project.

Diamond dispute divides Angolans

Barnaby Phillips on prospects for political accord as the UN prepares to pull out



Savimbi: sensitive role



Holed up in his highland HQ, rebel leader Jonas Savimbi is preventing accord on a government of national unity until a deal is done on sharing the country's diamond wealth

With the United Nations apparently determined to begin pulling out its 7,000 troops from Angola next month, pressure is mounting on the MPLA government and former Unita rebels finally to comply with the 1994 Lusaka peace accords, which ended 19 years of civil war.

The political signs are not encouraging. The planned inauguration of a government of national unity was abandoned in January. Mr Jonas Savimbi, the Unita leader, refuses to leave his headquarters at Bailundo in the central highlands. Negotiations are dragging on over the sensitive issue of whether Mr Savimbi should have a position in the new government, although the UN has been heartened by recent signs he may be *prepared to accept a role as* leader of the opposition.

Officially, there is no linkage between the resolution *of Mr Savimbi's status and* the inauguration of a new government, which would include several Unita ministers and provincial governors. But the shuttling of envoys between the capital Luanda and Bailundo reveals an obvious truth: a new government which does not have Mr Savimbi's blessing will leave would-be foreign investors and ordinary Angolans unimpressed.

In any case, Mr Savimbi is unlikely to agree to a role in the government until agreement is reached on the division of Angola's diamonds. Angola is the world's fourth biggest diamond producer, but the government only *controls 20 per cent of the* trade. The fighting left Unita in control of the richest alluvial deposits in north-east*ern Angola. Industry sources* estimate that Unita earned \$500m from smuggling diamonds out through Zaire last year, and was selling at an increased rate in the first weeks of 1997.

"The government is going to have to make a very attractive offer to Unita if it wants it to give all that up," one buyer said.

The government has allowed Unita to set up its own private mining company while negotiations continue on the location of concessions.

The UN's special representative, Maître Alioune Blondin Beye, maintains an appearance of enthusiastic *optimism. The Malian diplo*mat denounces the "eternal sceptics" of the Angolan peace process and stresses *the phased nature of the UN* withdrawal: one battalion per month, stretching over six months.

"We're not going to leave Angola in the lurch," says an official of the peace-keeping force Unavem. But many Angolans fear the precarious security situation in the countryside will deteriorate further once the UN troops leave. Banditry is still rife, involving both government soldiers and the 17,000 Unita troops who have deserted from UN camps.

Over the weekend aid agencies in the southern province of Benguela reported that thousands of people were fleeing renegade *Unita soldiers. Tension* in the province has been exacerbated by government efforts to move into areas *held by Unita.*

The situation is typical of Angola: government-controlled towns are surrounded by vast swathes of Unita-controlled countryside. "Unita controls some 60-70 per cent of Angolan territory," says a diplomat, "and if the government tries to move into those areas before all the political questions are settled, we are going to have some nasty incidents."

On the filthy streets of Luanda, the consequences of 20 years of civil war and mismanagement are distressingly obvious. Gangs of orphans roam among the *piles of rubbish at the road*side, while the luxurious four-wheel-drive vehicles of the Angolan elite roar past, *the occupants' faces hidden* by tinted glass.

No matter how precarious the peace, Angola's social injustices are firmly entrenched. But while Unita may keep dragging its feet in the belief that economic difficulties will continue to erode the government's popularity, President Jose Eduardo Dos Santos is beginning to feel slightly more optimistic about the future, at least in the short term.

After last year's dismissal of the prime minister, amid *signs that Luanda's long-*awaited social explosion was about to happen, there has been a superficial improve*ment in the economy. The* Nova Vida economic programme – a series of import controls, regulated profit *margins and moves towards* a unified exchange rate – has brought inflation down and halted the spectacular collapse of the local currency, the kwanza.

Oil production remains buoyant, and is predicted to rise to 780,000 barrels a day during 1997. The International Monetary Fund, while sceptical of the government's competence, is due to send a delegation to Luanda next month to discuss the terms of structural adjustment support.

Commonwealth seeks Nigeria evidence

By Michael Holman, Africa Editor

Nigerian opposition parties have been invited to give evidence to the Commonwealth's ministerial action group (CMAG), which is reviewing the country's suspension from the 53-member organisation.

The group, formed at the November 1995 Commonwealth heads of government conference in Auckland, New Zealand, monitors the human rights record of members.

Nigeria was suspended at the Auckland summit following the execution of Ken Saro-wira and eight other environmental activists. The suspension will be reviewed at the next Commonwealth summit in Edinburgh next October, when the action group will report back.

In a statement issued after a two-day meeting in London, the group "reiterated its concern that all political detainees, including Chief Moshood Abiola, had not been released and that detention without trial was still taking place in Nigeria."

Chief Abiola, widely believed to have won the aborted presidential election in 1993, has been in detention since June 1994.

The statement also noted that the party-based local government elections had been delayed by three months.

The group called for written submissions by the end of April. Selected representatives will be invited to give evidence in person at the ministers' next meeting in July.

The most likely outcome is that Commonwealth leaders will extend Nigeria's suspension, but will review the position after *presidential* elections, due to take place by October 1998.

Britain's opposition Labour party protested yesterday at what it saw as Commonwealth's inaction.

"CMAG has reached an impasse over Nigeria. I fear that it is paving the way for a sell-out. The only people who will take comfort from this are the military junta in Nigeria," Labour's foreign spokesman, Mr Tony Lloyd, said.

The action group is chaired by Zimbabwe; other members are Britain, Canada, Ghana, Jamaica, Malay*sia, New Zealand,* and South Africa.

INTERNATIONAL NEWS DIGEST

Stals hint on rand controls

Mr Chris Stals, the governor of South Africa's Reserve Bank, said yesterday he would recommend that individuals be given greater freedom to take money out of *the country as* the next step towards abolishing exchange controls. He said this could be achieved by relaxing controls on institutional investors such as unit trusts, increasing the travel allowance, and by creating special bonds for emigrants who have blocked funds in South Africa. The bonds could be made available to non-residents, and be made redeemable in equal instalments over a period of years.

The government has said repeatedly it is committed to the phased abolition of exchange controls, but Mr *Trevor* Manuel, the finance minister, again refused yesterday to discuss a timetable. Speculation has been increasing among bankers that Mr Manuel could make an announcement in the budget next month.

However the minister said nothing yesterday to encourage those hopes, and the rand dipped against the dollar to close in *Johannesburg* at R4.46, a fall of R0.05 on the day. *Roger Matthews, Johannesburg*

■ South Africa has trained two battalions to be ready for multinational peacekeeping and would be willing to *contribute up to 1,000 men to any such* operation, military officials said yesterday. *Reuter, Cape Town*

Algerian curb on new parties

Algeria's transitional parliament yesterday passed a law imposing restrictions on forming political parties. The law, adopted by the National Transitional Council ahead of legislative elections expected in May or June, gives parties a year to comply and requires them to hold new founding congresses with between 400 and 500 delegates elected by 2,500 supporters from 25 of the country's 48 provinces.

With the election three months away, the parties are likely to be allowed to take part before complying with the new law. They will, however, be forced to accept a ban on the use of religion for political ends. Moderate Islamist parties will thus have to change their names and alter their programmmes.

The Algerian conflict was sparked by the army's 1992 cancellation of elections which an Islamist party was set to win.

Another massacre of civilians was reported yesterday by the Algerian press. Al Watan, an independent daily, said 30 suspected Moslem guerrillas cut the heads off 33 villagers in Kerrach, near the town of Blida, 50km south of Algiers. *Roula Khalaf, London*

Israelis shell Lebanese villages

Israeli and allied militia forces shelled three south Lebanon villages yesterday, killing a civilian woman and wounding two other people, Lebanese security sources said. The shelling was an apparent breach of a US-brokered ceasefire understanding that ended a 17-day Israeli blitz on Lebanon last April and bars the south Lebanon combatants – Hizbollah and Israel and its allied militia – from targeting civilian areas. The bombardment, which also hit the village of Kfar Roummane, was in retaliation for guerrilla shelling of three posts of the Israeli-backed South Lebanon Army (SLA) militia in the zone, *SLA sources said.* *Reuter, Nabatiyeh*

White House glee as prosecutor prepares to quit

It is not often that the announcement of a new dean for a university law school merits front page headlines. The fact that Pepperdine University's school, a middling college in southern California, is to get a new head in August, would not normally excite much interest.

But Mr Kenneth Starr is no ordinary lawyer. Since August 1994 he has been the special counsel appointed by a federal court to investigate the allegations of criminal wrongdoing that have swirled around President Bill Clinton and his wife, Hillary, for the last three years. When it was announced on Monday that Mr Starr is to leave his post to take up the top job at Pepperdine in August, it immediately prompted speculation that the investigation might be running out of steam.

The White House made no attempt to disguise its glee. Though there was no official comment, senior administration staff were reported to be delighted at the news.

Mr Starr, who has been criticised for partisanship because of his close links with the Republican party, has been meticulously pursuing trails that might lead to the Clintons since his appointment. What began as an investigation into allegations of fraud concerning Whitewater, the failed property development enterprise in Arkansas in which the Clintons were partners in the 1980s, was gradually extended to embrace other alleged crimes and misdemeanours.

These included allegation

Starr: to law school

of obstruction of justice over the removal of files from the office of Vincent Foster, the White House counsel who committed suicide in 1993, and allegations of improper conduct over the sacking of the White House travel office staff in the same year.

The special prosecutor's office has already brought several Whitewater cases to court, most of them successful. Since the conviction last August of Mr James and Mrs Susan McDougal, two of Mr Clinton's closest associates in Whitewater, the impression has been given that the net had been slowly closing on the Clintons, and that an indictment of the first lady, or perhaps even the president, was highly possible.

Does Mr Starr's unexpected imminent departure change that? The official word from his office yesterday was that it changed nothing. Mr Starr himself said: "The process goes on. The investigation is going to go on for some time... We have made very substantial progress and we're very much in the investigative and evaluative stage."

Furthermore, lawyers emphasised that the Starr team was continuing to pursue new leads. Earlier this month Mr McDougal, who, following his conviction, is now co-operating with the special prosecutor, was reported to have retracted an earlier statement made during his trial that the president knew nothing of a loan made in the late 1980s that was fraudulently used to develop the Whitewater property.

His new claim corroborates testimony by another defendant, Mr David Hale, an Arkansas banker, that Mr Clinton knew about the purpose of the loan.

Clinton: 'knew about loan'

Efforts continue by the prosecutors to force Mrs McDougal to co-operate with them. She is serving time in a federal prison for failing to do so. Any indication that she might change her mind would give the investigation new momentum.

Some lawyers who have watched the case unfold said it was possible that, far from suggesting the investigation was about to be dropped, Mr Starr's departure could mean that a high-profile indictment might in fact come soon. Given his controversial connections with the Republicans, Mr Starr may simply have decided that his own involvement in any indictments might not be in the best interests of the prosecution, and that he should step aside to allow others to prosecute.

It is also possible that the attractions of a well remunerated post in southern California, which would allow him to continue his private legal practice, may have outweighed the appeal of remaining tied up with a politically contentious investigation for perhaps several more years.

But, for all these caveats, there was widespread incredulity in Washington yesterday that Mr Starr, a man who has so far pursued his high-profile investigation with an enthusiasm that has at times bordered on the voracious, would abandon it if he were just about to hand down the most sensational indictments in post-war US criminal history.

Though the investigation will go on, the Clintons could be forgiven for breathing a little more easily thanks to Mr Starr's unexpected decision.

Gerard Baker

Less bread, more microwaves: index of a richer Chilean population

By Imogen Mark in Santiago

Car repairs, school fees and medical insurance are likely to figure soon in the basket of goods and services on which Chile's retail price index is based, the state Institute of Statistics says.

It will be the biggest change in the composition of the basket since the system began 70 years ago, and reflects the jump in incomes and living standards as a result of Chile's steady growth over the past decade.

In the new basket, which will come into effect next year, the weighting of traditional items such as bread, lemons and clothing will be reduced in favour of services such as private schools, healthcare and cable TV, and more sophisticated goods such as cars, videos, microwave ovens and perhaps even computers.

These are preliminary findings according to Mr Pedro Menendez, the deputy director of the institute, from the first results of an 8,000-home census which is being carried out in greater Santiago, traditionally the sample for evaluating the spending habits of all Chileans.

Hard data on the way incomes have grown come from a regular two-yearly government survey of households. Based on these figures – the latest is for 1994 – the UN Economic Commission for Latin America and the Caribbean says that total disposable household income in Chile went from \$11.7bn in 1987 to \$29bn in 1994.

Subjective evidence also highlights the sharp changes in living standards. Ms Maria Cristina Rendic, general manager at ICCOM, a marketing research company, has noted the improved state of Chileans' teeth. "Before, 20 years ago, when we organised focus groups to discuss products, you could always tell the older women, 35 and over, from the lower socio-economic groups, C3 or D, because they rarely had any teeth. Nowadays they all have their teeth, or false ones, and their teenage daughters have braces to straighten theirs, just like the kids in the top ABC1 groups."

She also points to the rapid growth of fast food outlets, of sections for prepared foods and pet foods in the supermarkets, of better quality cleaning products, and the growth of sales of bottled water and beverages.

AMERICAN NEWS DIGEST

US sports worth $152bn

The US sports business is far bigger than previously reported and has become the country's 11th biggest industry, according to a study released yesterday.

The study, by the Georgia Institute of Technology with consultants AT Kearney Executive Search, says the sports industry generated total output of $152bn in 1995, or just over 2 per cent of gross domestic product. This ranks it above industries such as computer hardware, legal services or the combined size of the film, television and educational services industries, the study says.

The industry – embracing all sports-related goods and services – generated $52.1bn in wages and sustained more than 2.3m jobs in 1995.

The study also looks at ways in which cities can become "sports business capitals" and tap into new sources of revenue from the growing sports business. Attractive downtown areas are essential for sports business complexes to thrive, as are research and development activities linked to the industry, ranging from sports medicine to engineering.

"The sports industry represents a unique opportunity to blend community involvement and the entertainment aspect of the industry with long term economic development," said Mr Robert G. Hawkins, dean of the institute's college of management, policy and international affairs. "The business of sports can be a significant engine for economic growth."

The Business of Sports in the United States; available from Tom Rice on (001) 202 223 2922. *Ken Warn, London*

U-turn on Colombian pay

Colombia's government yesterday bowed to demands for wage rises to end a strike that threatened to erupt in mass street protests.

A deal ending the week-old strike by public sector workers was hammered out during a 30-hour negotiating session that ended shortly before dawn. It came just 24 hours before union leaders planned to truck in workers from around the country for what they billed as a huge protest march and "the siege of Bogotá". The government, despite its efforts to plug a gaping fiscal deficit, agreed to pay rises of as much as 20 per cent and also agreed to set up a joint commission, with fiercely nationalistic union leaders, to analyse government privatisation plans on a sector-by-sector basis.

President Ernesto Samper (above) said it could delay plans to open the state-run telecommunications company to private competition. Efforts to open up the oil sector to greater participation by multinationals could also suffer, industry analysts said. *Reuter, Bogotá*

Rush for cheap US air fares

American Airlines has been swamped with customer calls after slashing its fares as much as 50 per cent over the weekend, company officials said.

The company said up to 2.5m people called American's reservation switchboards on Monday alone, well up from the 340,000 calls the airline receives on an average day.

American cut its fares in half and doubled frequent flier mile credits early on Saturday, minutes after President Bill Clinton forced striking pilots back to work by appointing a presidential board to draw up a proposed solution to the bitter labour dispute between pilots and management.

The fare sale was aimed at winning back tens of thousands of customers who had booked flights on other airlines, and has sparked a fare war with other airlines forced to match American's offers. *Reuter, Dallas*

Cold beer war settled

A Canadian brewing company's claim that it owns a trademark on the phrase "ice brewed" received a frosty reception from the US Supreme Court yesterday. The justices, without comment, let stand an earlier finding to the contrary – a victory for a US competitor, Anheuser-Busch.

Ice beer is created when its temperature is lowered during brewing so that ice crystals form. The process is intended to improve the beer's taste.

Molson Breweries of Canada introduced ice beer in North America in 1993, but was soon joined by Toronto-based Labatt Brewing's "Labatt Ice" and Anheuser-Busch's "Ice Draft from Budweiser".

Labatt accused Anheuser-Busch of stealing its trademark by using phrases such as "ice brewed" and "ice beer". Anheuser-Busch asked a federal judge in St Louis to declare that Labatt had no trademark on those phrases. A trial jury ruled that Labatt did not hold a trademark to "ice brewed" or similar terms. *AP, Washington*

INTERNATIONAL NEWS DIGEST

New market for Malaysia

Malaysia announced an "over-the-counter" stock market yesterday to further broaden its financial system. To be known as Mesdaq the Malaysian Exchange of Securities Dealings and Automated Quotations, it will be launched later this year and is designed to generate venture capital for high-tech companies in Malaysia's "multimedia super corridor". The corridor is the most ambitious of several national projects personally endorsed by Dr Mahathir Mohamad, prime minister.

Several Securities Commission regulations have already been relaxed to make it easier for promising young companies to float their shares. Local and, for the first time, wholly-owned foreign companies, will be eligible to list.

Regulations on ownership by ethnic Malays (bumiputras), a foundation of Malaysia's economy and society, are also to be temporarily relaxed. Companies listing on Malaysia's stock exchange have to ensure that bumiputras own at least 30 per cent of the equity. But listings on the new market can be secured by a written undertaking to comply fully with the bumiputra policy within five years of making an operating profit.

Companies seeking to list on Mesdaq must have a minimum paid-up capital of M$2m ($806,000) They must invest at least 70 per cent of the funds they raise on Mesdaq in Malaysia. The new market will intensify rivalry with Singapore, which last month announced it had won commitments from 14 multinationals to invest more than S$100m ($70m) to cover the island with a computer network offering an array of multi-media services. *James Kynge, Kuala Lumpur*

Son of President Kim sues

Mr Kim Hyun-chul, son of South Korea's president, yesterday sued six officials of the main opposition party for libel after they alleged he was involved in the Hanbo Steel loans-for-bribes scandal. Prosecutors said they would question Mr Kim in connection with his libel suit, which could include looking into the opposition allegations against him.

The opposition has charged that Mr Kim was at the centre of "Hanbogate", which involved allegations that senior government officials had been bribed to press banks to extend loans to the failed Hanbo Steel. The scandal has threatened to become the biggest political crisis of the administration of President Kim Young-sam.

The opposition has already poured scorn on any prosecution investigation of the younger Mr Kim because it claims that senior prosecutors are close political allies of the president.

The prosecution today is expected to announce the conclusion of its three-week investigation, following the arrest of several government and opposition MPs, two bank presidents, a cabinet minister and the founder of Hanbo Steel. *John Burton, Seoul*

Japanese spending down 0.1%

Japanese household spending fell 0.1 per cent in 1996, the fourth consecutive year of decline, the longest on record. The fall, chiefly due to less spending on clothes and food, is the clearest indicator of the weakness of consumer confidence.

It is, however, less sharp than the 1.1 per cent decline in household spending in 1995, an especially poor year for consumers because of a serious earthquake, a gas attack on the Tokyo subway and the impact of a sharp rise in the yen on company profits.

Last year's decline follows a 0.6 per cent year-on-year fall in household spending in December, said the government's management and co-ordination agency yesterday. That partially reverses a 1.7 per cent rise in November and damps hopes of an end-of-year consumer recovery, economists said. Weak consumer spending has meant demand for credit remains weak, according to new central bank data. *William Dawkins, Tokyo*

China stocks tumble on Deng fears

By James Harding in Shanghai

China's stock markets fell sharply yesterday as rumours continued to circulate about the failing health of Mr Deng Xiaoping, China's paramount leader.

The volatile markets in Shanghai and Shenzhen were moved by reports that China's Communist party leaders had rushed back to Beijing at the weekend to visit the 92-year-old.

Shanghai B shares – stocks denominated in US dollars and restricted in theory to foreign buyers – fell by as much as 10 per cent in the early afternoon before regaining a little ground to close down 6.97 per cent at 63.45. The A market, where shares are reserved for mainland Chinese investors and are counted in Chinese currency, fell 8.97 per cent to finish the day at 932.78.

Brokers said that after a short bout of "panic selling", the mood calmed slightly, but investors were still "nervous and confused". In Shenzhen, the B-share index fell more than 9.5 per cent to 137.72, while the A-share index tumbled 9.8 per cent to 337.65.

The market had opened slightly up but rumours started circulating by mid-morning and shares carried on falling in the early afternoon, despite a statement by China's foreign ministry that there had been "no big change in Comrade Deng Xiaoping's health".

Chinese analysts suggested the fall was in part a correction of the rising trend in the run-up to the Chinese Lunar New Year and the strong opening to the market on Monday, the first day of trading after the two-week New Year holiday.

Domestic institutions were reported to be unwinding their positions in a number of stocks, prompting comments they were taking advantage of the rumours to lock in recent gains.

"If these rumours turn out to be false, there will be suggestions that big institutions were manipulating the market," one broker said. There have been no reports in the Chinese media of any change in the health of Mr Deng, the architect of China's transition to a market economy.

● Mr Tung Chee-hwa, Hong Kong's future leader, yesterday signalled he might review the system of reporting and appointment for the head of the Hong Kong Monetary Authority (HKMA), the territory's de facto central bank, reports John Ridding from Hong Kong.

The financial secretary is currently responsible for the head of the HKMA, and manages the territory's monetary system and its $64bn (£39.5bn) foreign exchange reserves. Mr Tung hinted this post could be brought directly under the chief executive, as the post-colonial governor will be known.

"The fact is that in most other countries the head of the central bank reports to the chief executive or the president," said Mr Tung.

His comments came as he prepared to travel to Beijing today to secure backing for the team he has selected to serve in his administration after July's return to Chinese sovereignty. He has already confirmed that Mrs Anson Chan, head of the civil service, will remain in her post and has signalled he wants to retain the majority of senior officials.

Attention will focus on sensitive posts, in particular whether Mr Donald Tsang is retained as financial secretary. He is a vocal defender of the territory's autonomy and its free-market system, and has clashed with Mr Tung over Beijing's plans.

World Stock Markets, Page 36

A policeman directs traffic in front of a mural of China's ailing leader Deng Xiaoping. *Reuter*

Threat to break up Japan's power utilities

By William Dawkins in Tokyo

Mr Shinji Sato, Japan's minister of international trade and industry, has threatened to break up the country's electricity utilities into generation and transmission units, along UK lines, unless they cut prices by one-fifth.

In an attempt to stave off separation, the top 10 power companies have agreed to join two Miti delegations to Germany, the UK and US in the next two months to study how to reduce electricity costs and prices, at present 20-45 per cent above international levels.

If power companies are unable to comply, Mr Sato said, Miti would consider splitting them up to encourage competition. Independent producers supply barely 1 per cent of the country's electricity.

The study mission is the latest stage in a wrangle between the ministry and power companies, triggered by the election last October of a Liberal Democratic party government committed to deregulation.

Mr Sato has warned that high electricity prices are a drag on competitiveness and a factor in encouraging Japanese companies to relocate production offshore.

The study group's report will form the basis of a Miti proposal in the spring on the reform of the power industry, a ministry official said yesterday. Last month, Mr Sato summoned executives of the top 10 power producers, to call for a 20 per cent rate cut by 2001, subject to a timetable he asked the industry to prepare by the spring.

That would bring Japanese electricity prices in line with German ones (according to Miti data), a modest target as Germany is the European Union's highest-cost producer. Japanese prices are 46 per cent above those in the US, the ministry estimates.

Mr Hiroshi Araki, head of Japan's federation of electric power companies, agreed on the need for "economic restructuring" but was cool to Mr Sato's suggestion on dismantling power companies.

He warned of the need to sustain power supplies, given Japan's growing dependence on nuclear fuel. Japan derived 30 per cent of its electricity from nuclear power in the year to March 1995, to rise to at least 40 per cent by 2010.

This runs against trends in western Europe and the US, the latest government white paper on nuclear policy says. Industry officials say splitting up power companies would make it harder to raise capital needed for more nuclear power.

Top defection may force Beijing to rethink policy towards an old ally

Alarm bells over North Korea

The defection of Hwang Jang-Yop, the high-ranking North Korean official holed up in the South Korean consulate in the Chinese capital, has rung yet another alarm bell in Beijing over relations with Pyongyang and may prompt a review of strategy towards the Koreas.

A western military attaché described the defection of Mr Hwang as a "wake-up call" to Beijing over developments in North Korea, including the long hiatus in the anointing of a successor to Kim Il Sung who died in 1994.

The Chinese have tended "to stick their heads in the sand" over North Korea, he said.

But with the defection of North Korea's top ideologue and adviser to Mr Kim Jong-il, son and heir apparent to the late Kim Il Sung, China was obliged to face up to the fact that all was far from well at the heart of its neighbour and long-time political ally.

China's review of options may include a revision of a likely timetable for reunification. China's judgment had been North Korea was unsustainable alone in the long-term and that reunification on South Korean terms was inevitable, later rather than sooner, according to a Western official who monitors developments on the Korean peninsula. "But now the Chinese might conclude reunification will happen sooner rather than later," he said.

That would probably lead to subtle shifts in China's approach, including more weight being given to political relations with Seoul, but it was highly unlikely Beijing would forsake its long-standing commitment to North Korea.

China will continue to walk a tightrope between maintaining working relations with a traditional ally and evolving ties with an economic powerhouse. Its handling of Mr Hwang's defection, where it sought to steer a neutral course between an irate north and elated south, is typical of its response to these pressures.

But Beijing can hardly ignore the possibility of the Pyongyang leadership unravelling – like the Ceausescu regime in Romania – bringing chaos to a country with which China shares a lengthy frontier. North Korea's Stalinist-era economy is already in dire trouble and millions are facing hunger.

But Beijing's relations with the Korean peninsula are being driven increasingly by its own growing economic ties to the south. South Korean companies, including Samsung, Daewoo and Hyundai have invested more than $2bn in China. Two-way trade reached $19.9bn last year, up by about 30 per cent on 1995. This compares with a paltry $566m with North Korea, down from $899m in 1993.

Ties with Seoul are also being nurtured by frequent official contacts, including annual meetings between Presidents Jiang Zemin and Kim Young Sam at Asia-Pacific Economic Co-operation summits.

In contrast China's contacts with North Korea's leadership, especially since the death of Kim Il Sung, have been sparse. Beijing has been banking on Kim Jong-il taking over as a fully-fledged successor to his late father, but delays have proved frustrating.

"The Chinese are just as puzzled as everyone else about what is going on in Pyongyang," says a western official.

Beijing had been hoping it could draw closer to a regime led by Mr Kim and one willing to sanction economic reforms similar to those China adopted in the late 1970's, but these hopes may have receded after Mr Hwang's defection.

China has been left to grapple with a realisation that North Korea's succession is not going smoothly and that more attention will need to be paid in Beijing to developing contingency plans for dealing with the unexpected. Developments on the Korean peninsula seem unlikely to follow anyone's script.

Tony Walker

South Korea yesterday welcomed hints by Pyongyang it might be prepared to end a diplomatic row over a top North Korean defector who took refuge at Seoul's embassy in Beijing a week ago, John Burton reports from Seoul.

North Korea appeared to back off from its demand Mr Hwang Jong-yop be returned to Pyongyang, declaring that "if he sought asylum, it means he is a renegade and is dismissed". Earlier, it had insisted that Mr Hwang, a senior adviser to North Korea's leader Kim Jong-il, had been abducted.

"We believe the North offered something different" from its previous position, Mr Ryu Kwang-sok, a Seoul official, said. "We are closely examining what they meant." Seoul has suggested Chinese officials or the UN Commissioner for Refugees should meet Mr Hwang to confirm he had not been kidnapped.

North Korea's apparent climbdown might have been prompted by its need to get new emergency food aid from international donors. By maintaining a hard line on the defector issue, it risks damaging its ties with the US and China.

The World Food Programme, a UN agency, has made a $41.6m appeal for the supply of 100,000 tonnes of food to North Korea. The US and South Korea have already agreed to make contributions. China has urged Seoul and Pyongyang to resolve the defection calmly after the shooting of another North Korean defector in Seoul last weekend.

NZ exporters take aim at state curbs

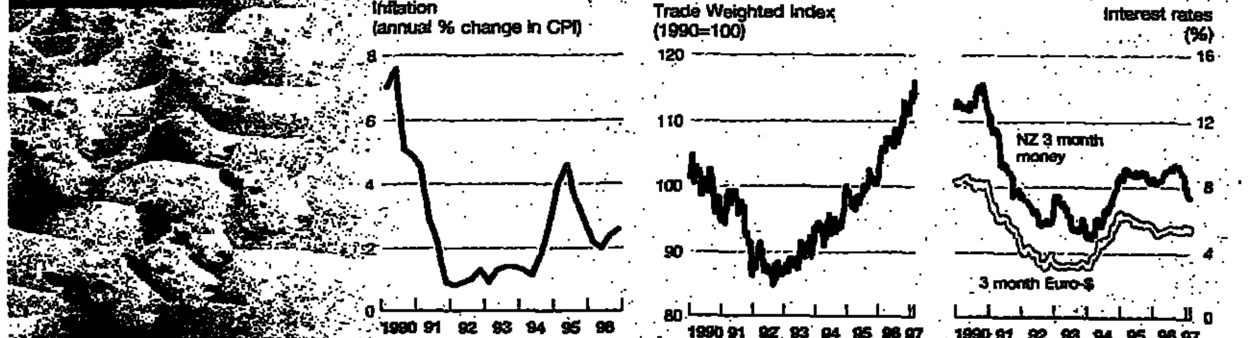
It is regulation rather than monetary policy which is causing problems, writes Peter Montagnon

Mr Phil Verry, a director of the New Zealand Wool Board, gave way to characteristic Antipodean bluntness as he warmed to an attack on New Zealand's anti-inflation policy last week.

"Pre-pubescent youths employed by financial institutions, who masquerade under the title of economist, assail our collective intellect with their naive support" for the Reserve Bank, he raged in the New Zealand Herald newspaper. Monetary policy, over which the central bank has unique freedom, "is undoubtedly our latest folly. It may prove to be our greatest".

It is easy to see why he is upset. New Zealand's farmers have been reeling under the impact of high interest rates which have helped push up the trade-weighted value of the New Zealand dollar by 30 per cent since 1993. Together with weak commodity prices, this has had a devastating impact on producers of basic goods such as wool and beef.

But even as they struggle to maintain their export margins, New Zealand businessmen remain reluctant to call for an end to the Reserve Bank's independence and its strict targets for inflation.



For all his rhetoric, Mr Verry is out on a limb. It is not so much monetary policy which is in the dock as government regulation and tax policies. The debate on inflation is shifting away from the rigidity of the Reserve Bank targets to focus on why New Zealand still requires real short-term interest rates of 5 per cent to maintain its downward pressure on prices.

"Monetary policy is doing a good job of drawing attention to structural weaknesses," says Mr Simon Arnold, chief executive of the New Zealand Manufacturers' Federation. "One is a lack of savings in the household sector, and the other is rigidities in the non-tradeable and government sector."

Thus while exporters would like a lower currency, their main priority is to push the government towards more deregulation.

Mr Hugh Fletcher, chief executive of the Fletcher Challenge resource group, says the high exchange rate may deter new investment in New Zealand. There have been some problems with the targets set by the government and the Reserve Bank for controlling inflation, he says.

One is that there may be a built-in statistical bias which leads to inflation being overstated and makes the stated targets too harsh. Another is the severity with which the targets are applied.

These problems have been mitigated, however, by the decision to broaden the target range for underlying inflation following the installation of the new coalition government last December.

The new range is zero to 3 per cent compared with zero to 2 per cent before, and the wider band means there should be fewer instances of alarm in markets at the prospect of the ceiling being breached.

Now Mr Fletcher says the most serious problem is that high interest rates are taking too long to affect prices in the non-traded sector of the economy. Local authority rates have been rising by 5-15 per cent a year, a multiple of general inflation. Gas and electricity prices are also high and, above all, house prices have been very strong.

Part of the reason is demand from new immigrants, but part is policy-related. Zoning rules imposed by local authorities tend to push up prices and the absence of capital gains tax on second homes encourages speculation.

Were the tax regime to change, pressure on property prices could be lanced, allowing interest rates and, by extension the dollar, to fall. As it is, most economists agree the traded goods sector is bearing the brunt of the anti-inflation policy.

There are some hopes that the New Zealand dollar could ease in the next few months as local interest rates fall while those in the US rise. But there has been little impact on the currency, even though three-month interest rates have fallen by around 2.5 percentage points to 7.5 per cent since the election.

Part of its recent strength also reflects the one-off impact of the end to New Zealand's repayment of its foreign debt; part is also a leads and lags impact as positions taken in mistaken anticipation of a fall after the new government's election are unwound.

One risk, however, is that there could be a sudden collapse as New Zealand's current account balance of payments – already running around 4 to 5 per cent of gross domestic product – deteriorates.

If the wave of speculative European and Japanese money which has been pouring into New Zealand dollar bonds rolled on elsewhere, local interest rates could be forced sharply higher. Domestic demand is strong, so a sharp currency fall would be inflationary.

For the unflappable Mr Don Brash, Reserve Bank governor, that need not be a worrying outcome. Recently he has made no secret of his view that a lower exchange rate and higher domestic interest rates would be a better way of curbing inflation.

Such a shift would allow the anti-inflation pressure to be directed more on the non-traded sector of the economy where it is presently most needed and least felt.

Unfortunately, it's also become an every day problem with software implementation.

No doubt the boardroom will greet the following with healthy scepticism.

But there is one enterprise software package that can be implemented across many sites, in many countries, rapidly, with minimal disruption, at reasonable cost and most crucially, on time. That software is Tetra CS/3.

So how can Tetra succeed where so many others fail?

Tetra implementation works efficiently partly because, since starting in business some twenty years ago, we have always made a point of *keeping it simple*.

The software is uncomplicated. So it's quick and easy to install.

And partly because Tetra have a unique planning process. For example, software models are tested with live transactions by subsidiary offices before implementation at HQ.

There's another spin-off from simplicity. Keeping functionality under control keeps the cost under control. With Tetra handling manufacturing, distribution and financials, you can 'drill down' to any office, any plant, any account, anywhere in the world. *Many claim this, few deliver.*

Here too simplicity pays off, enabling Tetra CS/3 to adapt exceptionally easily to other languages, currencies, and accounting practices.

What is more, you can pull all that local data together at a single point of control.

As to capacity, Tetra CS/3 is as at home in single site medium sized businesses as it is in global corporations.

(Scalability that comes from Tetra CS/3's client server architecture and running on Windows NT™ and UNIX). Of course, Tetra CS/3 isn't invariably best for every business.

But if you *manufacture, distribute or sell* products, and you need a single software solution, Tetra probably has the edge.

Call +44 (0)171 291 0011 to find out more.

Who knows, the *next* time you implement enterprise software, the business benefits just might take off on time.

TETRA
One solution worldwide

TETRA

Please tell me more about the software that gets to work on time

Name ____________ Position ____________ Company ____________ Address ____________ Postcode ________ Tel ________

Tetra International, Vanwall Business Park, Maidenhead, Berkshire SL6 4UB United Kingdom e-mail: info@tetraworld.com Website: http://www.tetraworld.com
Tetra France, Immeuble Axe Etoile, 105 rue des 3 Fontanot, 92022 Nanterre Cedex, France. Tetra Deutschland, Büropark Mollsfeld, Mollsfeld 5, D-40670 Meerbusch-Osterath, Germany.

EU to press Cuba law dispute at WTO

By Lionel Barber in Brussels and Guy de Jonquières

The European Union told the US yesterday it was prepared to go on seeking an amicable settlement of their dispute over the US Helms-Burton anti-Cuba law after Brussels asks the World Trade Organisation to set up a disputes panel to rule on the case.

However, Sir Leon Brittan, Europe's trade commissioner, urged Mrs Madeleine Albright, US secretary of state, not to try to block the formation of a panel – a move which the EU says could seriously damage the WTO's disputes settlement mechanisms.

Sir Leon confirmed that the EU would ask Mr Renato Ruggiero, WTO director-general, tomorrow to nominate members of the panel, which will have six months to reach a decision.

The EU, which says the Helms-Burton law violates multilateral trade rules, last week postponed the request to form a disputes panel by a week to allow more time for negotiations with the US.

However, EU officials said yesterday that regular contacts between Sir Leon and Mr Stuart Eizenstat, US President Bill Clinton's special envoy on Cuba, had failed to solve the dispute. The officials said Washington still needed to move much further to satisfy EU demands.

The US argues that the WTO has no jurisdiction in the case because its anti-Cuba legislation is a matter of national security, not trade. The EU claims the US cannot use the national security argument to stop a panel being formed, and insists only a panel can decide whether Washington's argument is valid.

Mrs Albright, on her maiden official tour to Europe, declined to offer assurances about the national security defence. But she and Sir Leon agreed that the Helms-Burton dispute must be put in its "proper context" and not allowed to harm transatlantic relations.

US President Bill Clinton has sought to defuse the row by promising to continue suspending every six months a provision in Helms-Burton which authorises private US court cases against foreign companies "trafficking" in Cuban assets confiscated by the Castro regime.

But Sir Leon says the move does not go far enough. He is seeking additional safeguards on the application of Helms-Burton and of the D'Amato law, which penalises foreign investors in the energy industries of Libya and Iran.

US harbours doubts about port practices

Washington decides today whether to fine three of Japan's biggest shipping companies

The US Federal Maritime Commission will today decide whether to impose sanctions on Japan's three biggest shipping companies in retaliation for what the US considers unfair port practices in Japan.

The FMC has proposed a fine of $100,000 each time a liner owned or operated by Mitsui OSK Lines, Nippon Yusen or Kawasaki Kisen enters a US port.

The EU has already taken Japan to the World Trade Organisation over the country's port practices which the EU says violates several provisions of the General Agreement on Tariffs and Trade.

Discussions between the EU and Japan under WTO rules have yielded nothing and earlier this month, the Commission warned it might take further steps in the WTO unless significant reform was implemented soon.

Ironically, the Japanese shipping companies which could be penalised for practices at Japanese ports are themselves victims of the same rules and regulations that foreigners complain about. "We have the same complaints as the foreign shipping companies," said an official from one of the FMC's targets.

Foreigners and Japanese shipping companies are seeking the abolition of a system which requires any changes in shipping plans to be approved by the Japan Harbour Transportation Authority (JHTA), a trade association representing stevedores, terminal operators and those who provide harbour services.

The system obliges shipping companies to consult the JHTA on all operational matters from changes in berth, route or port calls, inauguration of services or vessels, to temporary substitution and even renaming of vessels.

The FMC said the system prevented shipping companies from adopting an efficient response to market and other conditions that may require changes to schedules. It was also lacking in transparency, with no written rules or reasons given for decisions, and with the JHTA apparently enjoying absolute discretion over terms and conditions.

Prior consultation was introduced in 1986 and expanded three years later in response to changes in the industry, which led to rationalisation of the shipping and the stevedoring companies.

The shift to containerised shipping and the spread of global alliances between shipping companies meant stevedores faced sharp job losses as the number of ships coming into the ports declined. The stevedores responded by by enforcing prior consultation to ensure they would have the final say over any move that might affect their jobs.

As a result, companies using Japanese ports have not been able to realise fully the benefits of industry rationalisation. Even if two companies formed an alliance or merged, they could only realise the benefits of the resulting economies of scale with approval from the JHTA, a US official complained.

The JHTA's power has also prevented shipping companies from seeking competitive bids for the handling of their businesses, according to the European Business Community in Tokyo. In addition shipping companies face serious curbs on Sunday work and must pay for weighing of cargo regardless of commercial necessity, the FMC pointed out.

The JHTA's tight control over anything that might affect service rates has made Japanese port costs among the highest in the world. It costs $11,000 to unload a vessel in Singapore, and $11,000-$16,000 in the US and most other countries. But it costs $36,000-$40,000 in Japan, according to a US official.

Loading a ship at Yokohama's docks: tight controls by the Japan Harbour Transportation Authority have made the country's port costs among the highest in the world *Mike Blank*

The FMC claims Japanese transport authorities support the JHTA's practices through a restrictive licensing system that prevents competition in stevedoring services.

By preventing foreign companies from setting up their own terminal services the government "virtually guarantees that JHTA's monopoly over harbour operations will continue unabated", the FMC said.

The Ministry of Transport argues that it has little say on prior consultation, which it claims is a private industry matter involving labour issues over which it has no authority.

The Japanese shipping industry has already petitioned the ministry to deregulate the licensing system but is wary of pushing matters further. "If you make a bad move, it could have very damaging consequences on your shipping activities," said one official.

Furthermore, there are concerns that such deregulation could be damaging. "The labour unions have expressed their clear opposition to deregulation," said one member of the industry. "We welcome the direction of deregulation, which will increase our options, but we are concerned that it could cause substantial disruption in the industry that could affect our business."

But such disruption should be preferable to sanctions, which will cost the three shipping companies an estimated Y5bn ($40m) annually. The FMC is known to take its sanctions proposals seriously. In the past, "98 per cent of the time, the FMC has never had to go this far," a US official said.

But with no signs that the JHTA is willing voluntarily to amend its practices, the best chance the companies have of avoiding retaliation appears to lie in persuading the transport ministry to deregulate port services for the benefit of better trade relations, internationally competitive ports and the financial well-being of some of the country's largest shipping companies.

Michiyo Nakamoto

WORLD TRADE NEWS DIGEST

Mexico sugar quota protest

Countries which supply sugar under quota to the US have warned that they will protest at any move to increase Mexico's sugar supply quota at their expense.

Mexico has asked the US to increase its quotas from the current 25,000 tonnes per year to 400,000 tonnes, said Mr Karl James, a member of the executive of the Sugar Association of the Caribbean, a regional federation of producers. The quota holders fear the US will agree to a rise in Mexico's quota when President Bill Clinton visits Mexico in March, Mr James said.

This would reduce the market access of other countries supplying sugar to the US, under quotas set annually by the US government. Under Nafta, Mexico which traditionally was not a large sugar producer, is restricted to supplying the US with 25,000 tonnes of sugar a year over seven years. Mexico has dramatically increased production in recent harvests, and now has a 400,000-tonne surplus.

"Instead of selling on the world market where sugar prices are down, the Mexicans are pressing their free trade partner, the United States, to increase their guaranteed quota at the expense of other non-Nafta countries," Mr James said. *Canute James, Kingston*

Elf in Cuban LPG venture

Elf Aquitaine, the French oil group, is moving to consolidate a foothold in the Cuban oil products market by finalising a joint venture agreement with the Cuban state oil company to supply liquid petroleum gas to the island.

The deal, expected to be agreed by the end of March, involves a five-year project to import LPG and distribute it in canisters for domestic use in four eastern Cuban provinces, starting with Santiago de Cuba. After five years, the joint venture would expect to be importing around 40,000 tonnes of LPG a year. The gas would replace the kerosene cooking fuel used in many Cuban homes.

The French company, which has opened an office in Havana, also has an agreement to blend lubricants at a plant in Santiago de Cuba for supply to the Cuban sugar industry. *Pascal Fletcher, Havana*

Bangladesh signs oil deal

Bangladesh signed an agreement with United Meridian, an American oil and gas company, this week to explore for and develop oil and gas in the Chittagong Hill Tracts in the south-east of the country.

The area, close to the border with India and Burma, has been at the centre of an insurgency for the past 23 years, with Shanti Bahini guerrillas fighting for autonomy. Shell Petroleum Development Company abandoned its activities in the area in 1994 after Shanti Bahini took five of its staff hostage. This agreement comes while there are signs that the troubles may be over.

Mr Mark Mazzolini, vice-president of UMC Bangladesh, a wholly owned subsidiary of United Meridian, said he was optimistic a peace deal would be signed in March.

The extent of gas or oil reserves in the area is not known, but one preliminary test has shown substantial potential. The company is expected to invest at least $15m in drilling and seismic tests. Carin Energy of the UK and Occidental of the US are among companies which have formed joint ventures in other parts of eastern Bangladesh. *Kasra Naji, Dhaka*

BA-American link 'will cost passengers $500m'

By Mark Suzman in Washington

The proposed alliance between British Airways and American Airlines could cost passengers more than $500m a year and should only be approved by regulators if the two make substantial concessions on landing slots, a consumer watchdog warned yesterday.

According to a study by the Consumer Federation of America, a coalition of more than 240 consumer groups, US regulatory authorities should demand that BA and American surrender between 560 and 840 take-off and landing slots at Heathrow airport – about a quarter of their combined total – as a condition for approving the alliance.

That number is far greater than the 168 slots that the UK Department of Trade and Industry has said it wants given up before approving the deal.

The report, which will be submitted to the US Transportation and Justice departments, both currently investigating the planned alliance, will add to pressure on US authorities to take a tough stand.

Although BA and American have argued that the alliance would not reduce competition on heavily travelled US/UK routes, their plans also face opposition from the European Commission, which has threatened to take the UK government to the European Court of Justice if it approves the deal on the terms it has proposed.

The new study came as the US and the UK announced that they were resuming discussions, scheduled to continue until Thursday, on an "Open Skies" agreement. The US has said that its approval of the BA/American alliance is contingent on a satisfactory agreement liberalising air traffic between the two countries.

However, according to Mr Mark Cooper, the Consumer Federation's research director and author of the report, the plan to link approval of the alliance to the Open Skies agreement is misguided.

"Open Skies agreements should increase the amount of competition but this alliance would reduce it," he said. "It is quite clear that an open skies agreement that requires approval of the BA/American merger as proposed would result in open skies and closed airports."

Mr Cooper said that the report calculated the minimum number of slots that would have to be relinquished by BA and American to allow at least two new entrants on the most important routes between Heathrow and the US.

Without such a move, the report calculates average fares would increase by between 20-40 per cent. "Given the value of traffic between the US and London the price increases would be in the neighbourhood of half a billion dollars," Mr Cooper said.

Egypt seeks trade deal with European Union

By Mark Huband in Cairo

European Union officials and Egyptian negotiators hope to complete discussions on a trade agreement before a meeting of EU and Mediterranean states in Malta in April.

Intensive talks in Cairo yesterday between Mr Amr Moussa, Egypt's foreign minister, Mr Hans van Mierlo, Dutch foreign minister, and Mr Abel Matutes, Spain's foreign minister, who is accompanying King Juan Carlos on a state visit to Egypt, may have brought to a close months of wrangling over Egypt's agricultural exports to the EU.

Both sides have expressed the wish to resolve outstanding issues before the Malta meeting. The talks are now expected to lead to further negotiations between Egypt and Mr Manuel Marin, the EU Commissioner responsible for Mediterranean affairs.

Amr Moussa: agriculture is the primary problem

Despite the absence of a formal partnership agreement with the EU, Egypt will attend the Malta meeting, Mr Moussa confirmed, in expectation of a deal having been struck in advance.

"The European negotiations are proceeding and we spoke of the agricultural field, which is the primary problem," Mr Moussa said.

Egypt now plans to send a delegation to European capitals to discuss agricultural export quotas.

The negotiations are expected particularly to involve the Netherlands, which is concerned about import quotas for Egyptian cut flowers.

Egypt is pressing for easier access for exports of foodstuffs, particularly rice and potatoes.

Mr Gamal Bayoumi, Egypt's negotiator at talks with the EU, has been strongly critical of the EU stance on Egypt's quotas, accusing the EU in the past of looking for a market for its own industrial goods without reciprocating by opening European markets to Egyptian agricultural products.

Result in Japan TV soccer battle

By Patrick Harverson

A broadcasting joint venture between TCI, the US cable television and telecommunications group, and the Sumitomo Corporation has won the rights to televise Japanese soccer for the next five years.

The joint venture, Jupiter Programming, defeated rival bids by News Corporation, the international media group, and domestic terrestrial broadcasters which had previously televised all Japanese soccer.

It plans to broadcast two live J-League games a week from the beginning of April on PerfecTV, the digital direct-to-home network launched in Japan last year.

The value of the contract, which is fixed for the first year and negotiable for the remaining four, was not disclosed.

Ms Miranda Curtis, executive vice-president of TCI and a director of Jupiter, said soccer was very important to broadcasters in Japan. "It's the kind of popular programming that really drives penetration for the channels." She said Jupiter winning the rights to J-League was "a sign of our muscle in the Japanese marketplace".

Mr Kenji Mori, an executive with the J-League, said the new deal would enable the league to reach more viewers and help develop the sport further in Japan.

Professional soccer is relatively new in Japan, but has grown quickly to become the second most popular sport in the country after baseball. Interest in soccer is expected to expand in the next few years as Japan prepares to co-host the 2002 World Cup with South Korea.

Jupiter was formed in March 1996 to develop, manage and distribute television channels for cable and satellite networks in Japan. Since its formation it has launched four channels: CSNI Movie Channel, Discovery, the Golf Network and Shop Channel, a home shopping network. It plans to launch several more channels over the next two years.

'A scheme by which a rich country thinks it can get out of its responsibilities is not acceptable'

US attacked for failure to fight climate change

By Leyla Boulton, Environment Correspondent

Britain yesterday attacked the United States for failing to take action to fight climate change.

The criticism came from Mr John Gummer, the environment secretary, as he announced that the UK would meet the developed world's target of stabilising by 2000 greenhouse gas emissions associated with global warming.

Mr Gummer accused his US counterpart, Mr Timothy Wirth, under-secretary of state for environment, of talking "in vague terms" of targets for the first and second decades of the 21st century.

"That is devastating if that is where America stands," he said. "We need to bring America on board."

This was because any action to reduce emissions from the consumption of fossil fuels by smaller countries such as Britain, which accounted for only 3 per cent of global emissions, would make only a small inroad into the problem, he added.

But Mr Gummer noted that the US, the world's most profligate energy consumer and biggest emitter of greenhouse gases, would not only fail to meet the target for the year 2000 but had proposed no specific reductions thereafter. Mr Gummer defended his proposal that the industrialised world should agree at climate change talks in Kyoto this December to cut emissions by between 5 per cent and 10 per cent from 1990 levels by 2010.

This was both achievable and challenging, he said, and should be the first of a series of cuts that would be needed over the next 80 years ultimately to reduce greenhouse emissions by 60 per cent.

While it was too late to fix some of the damage already wrought by global warming, such action could "contain" the problem.

"Climate change is the central issue. Either the world finds a way . . . of reducing pollution or future generations will find this planet far less pleasant to live on to put it at its mildest."

While he supported a US idea for trading carbon emissions on a global scale, Mr Gummer said this would be acceptable only in addition to tough domestic reductions by industrialised nations.

"Emissions trading . . . has to be real, honourable, and measurable," he said. "If this is a scheme by which a rich country thinks it can get out of its responsibilities, it is not acceptable."

State-run gambling 'will not go on sale'

Mr Robin Cook, the opposition Labour party's shadow foreign secretary, has denied that the party intends to privatise the Tote, the state-owned betting business, our Political Staff writes.

On Sunday, aides to Mr Gordon Brown, the shadow chancellor of the exchequer, confirmed reports that Labour was considering such a sale which could raise a reported £400m ($648m). But Mr Cook, a passionate supporter of horseracing, firmly knocked down the idea.

Such a sale would have had attractions for Mr Brown, who is keen to find means of raising revenue within the tight fiscal rules he has set a future Labour government. It would also have been of symbolic importance for Labour which has pledged to cancel all future privatisations planned by the Conservatives. Lord Wyatt of Weeford, the Tote's chairman, dismissed the idea of a sale as "absolutely potty".

Editorial Comment, Page 13

Power privatisation benefits investors

By Jane Martinson in London

Small private investors have benefited more from the privatisation of water and electricity companies than from earlier privatisations, says research published today.

The report by the independent Centre for the Study of Regulated Industries also shows that private investors have benefited most from the rash of takeovers in the electricity sector.

The takeovers of 10 of the original 12 electricity companies since 1990 have made the sector the most profitable investment of any of the privatised industries to date.

Six electricity companies taken over before the end of last year earned their original investors 40 per cent or more, compared with an estimated market average of 11 per cent. The electricity sector yielded 38.5 per cent on average, while water gave 24.4 per cent.

The centre's report is likely to stimulate further debate about how the industries were privatised and subsequently regulated.

It shows, for example, how industries subjected to more than one regulatory price review have achieved rapidly declining rates of return. Investors in the second and third tranche of shares in British Telecommunications did far less well than those in the first wave of the earliest utility privatisation in 1984, for example.

Mr Peter Boulding, the centre's development manager, said: "We know that regulation is getting tougher but what that actually implies for shareholders has not been as clear."

Mr Peter Vass, research director of the centre and special adviser to the committee, said the study was prompted by a demand for the "facts of the situation". The report, which took six weeks to research, was careful to draw no conclusions, either political or economic. Mr Vass said it was merely intended to "help inform the debate" with "the correct methodology".

The calculations were based on private investors who bought shares at privatisation and kept them until January 31. The total investment return is calculated using dividends received, share prices, the effect of takeovers, buy-backs, special dividends and bonus shares.

The calculation for British Gas, which has been accused of "conning" Sid – the marketing name for small investors used during the company's flotation – with a poor rate of return, may surprise some. Its market rate of return of 11 per cent, using the centre's methodology, was fully in line with the market.

British Gas was demerged this week into Centrica, a trading operation, and BG. The House of Commons trade and industry committee, which commissioned the study into Sid, is due to report on March 7.

Happy returns from utilities

Total investment returns (before tax) to private shareholders *in privatised industries*

	Month sold	Real rate of return (%)
BT - first tranche	Nov 1984	14
- second tranche	Dec 1991	10
- third tranche	July 1993	7
British Gas	Dec 1986	11
BAA	July 1987	17
Northumbrian Water*	Nov 1989	35
Seeboard	Nov 1990	48
Powergen - first tranche	Mar 1991	30
National Power - first tranche	Mar 1991	30
British Energy (part)/fully paid**	July 1996	(111)/28
Railtrack (part)/fully paid**	May 1996	(184)/53

* Taken over
** The 31/1/97 internal rate of return is for part paid shares and could be misleading. The fully paid forecast estimates the internal rate of return after the final instalment, assuming no further changes to the share price.

Source: CRI

Opposition fails to push PM into an early election

By David Wighton and John Kampfner

The Labour party's hopes of forcing Mr John Major, the prime minister, into an early general election receded late on Monday after the Conservative government won a vote over its handling of the "mad cow" crisis with a comfortable majority of 13.

The vote was seen as a serious setback for Labour which had considered the beef issue as perhaps its best chance of defeating the government and of precipitating an early election. Labour is the largest opposition party and opinion polls continue to indicate that after almost 18 years out of power it will win the election expected in May.

But the scale of Monday's defeat raised doubts over whether Labour would attempt to force a vote of confidence after its expected victory in a by-election on February 27, which would give the opposition parties a combined Commons majority of one.

Labour had hoped to win the support of Ulster Unionist MPs from Northern Ireland. They are angry at the damage the European Union's export ban on British beef has done to the Northern Ireland farmers.

But Mr Douglas Hogg, the agriculture minister secured the Ulster Unionists' abstentions by pledging to give priority to getting the beef export ban lifted for Northern Ireland.

Even if Labour wins the coming by-election, the Conservatives will have an overall deficit of only one in the Commons, with Labour having to ensure that all 51 MPs from the smaller parties support it in any confidence motion.

● The most startling improvement in the public finances since 1989 gave the government a big pre-election boost yesterday, our Economics Staff writes. The government raised £5.8bn more in tax revenues than it spent last month, the Treasury said. Buoyant tax revenues were the main reason for the sharp improvement in public borrowing. But the large net flow of money into the public sector's coffers, which was almost twice as big as City of London economists had expected, may have been exaggerated by changes in the timing of value added tax payments.

Public spending growth slowed in January, but economists said spending was still likely to overshoot the Treasury's forecast for the whole financial year. "It is far too soon to say we are out of the woods on the public finances; whoever is the next chancellor will have to raise taxes," said Ms Rosemary Radcliffe, head of economics at Coopers & Lybrand, the accountancy firm.

Capital Markets, Page 24

Alternative market faces tougher rules

By Christopher Price in London

The London Stock Exchange is considering disciplinary proceedings against three firms and plans to tighten its rules on public offerings, profit forecasts and shadow directors following a review of advisers on the Alternative Investment Market. A fourth firm has agreed to leave the market.

The review, which began in the summer when Aim completed its first year of trading, coincided with a series of incidents, including the censuring of a small number of companies for breaches of the rules and the first enforced delisting of a company.

Gerrard Vivian Gray, the financial adviser, is understood to be the nominated adviser which agreed to leave the market. It is understood that the firm's involvement with Optical Care (Bermuda), whose chairman was censured for not disclosing his failed directorships, and Skynet, a company which almost joined Aim but which is under investigation by the Securities and Futures Authority, prompted the exchange to act. Gerrard Vivian Gray refused to comment yesterday.

One of the three firms being considered for disciplinary action is understood to be Neill Clerk Capital, which grew out of a Scottish legal firm and is nominated adviser to 29 Aim companies - 11 per cent of the market's 258 members.

One of the primary roles of the 60 nominated advisers, or nomads, is to monitor the activities of client companies and advise them on disclosure to the market. The Stock Exchange yesterday refused to name the advisers concerned, but stressed the need for firms to have sufficient resources in order to monitor their clients after flotation. NCC said its discussions with the exchange were "private".

Around a quarter of all nomads have received letters from the exchange suggesting ways in which they can improve their service. "This is not to say they are necessarily doing anything wrong, but that they could be doing things better," said Ms Theresa Wallis, chief executive of Aim.

NEWS: UK

Directors may have to make yearly statements confirming internal regulatory systems

Central bank to reform fraud controls

By Jim Kelly, Accountancy Correspondent

The Bank of England is to revamp its regime for checking whether banks' have effective internal anti-fraud controls following a review of regulation prompted by the collapse of Barings.

The Bank, the UK central bank, is stepping back from fundamental reform. It proposes that the board of directors of banks should make a written statement each year confirming the presence of systems to monitor and control risks. "This is all part and parcel of the review of supervision," said Mr Michael Foot, executive director of supervision at the central bank. "It is a genuinely consultative document."

The proposed statement from directors - which could prove controversial - would be in addition to a further statement saying that the bank is in compliance with the minimum conditions for obtaining a banking licence. Both assurances would come from the board as a whole - not just one director.

At the moment the central bank appoints reporting accountants, normally from a bank's audit firm, to look at internal controls and then report back to both the Bank and the client bank - which pays the reporting accountants' fees.

The central bank proposes a routine meeting between it and the reporting accountant in addition to the current trilateral meeting between all the parties. This may lead to more candid reports.

In the past – following bank failures and the subsequent discovery of lax internal control – there has been criticism of the present system and a lack of communication between the various parties involved in regulation.

The central bank is not insisting that the reporting accountant is separate from the auditor, but it does say it wants to "use more forcefully its powers to require use of another firm to conduct" reviews in certain cases.

Fears about the independence of reporting accountants who are part of the client audit firm are largely unfounded, the Bank of England concludes. It says auditors are skilled at resolving conflicts of interest.

But it recognises that sometimes a reporting accountant will be needed from a different firm, "for example where there are questions over the independence or objectivity of the reporting accountant". It also proposes that lead audit partners - the link between firms and the banks - should be rotated every five years rather than the current requirement of seven.

Tax official accepted bribes

Investigator took cash and holidays from businessmen

By John Mason, Law Courts Correspondent

Neil Munns

Michael Allcock arriving at the Old Bailey, London's central criminal court, before the case resumed yesterday

Mr Michael Allcock, a senior Inland Revenue investigator, was found guilty at a London court yesterday of accepting bribes including cash payments, a luxury holiday and the services of a prostitute in return for allowing wealthy businessmen to evade tax.

The conviction of Mr Allcock, who now faces a long jail sentence, ended a prosecution which has embarrassed the Revenue and focused attention on the operations of its "Special Office" investigation unit.

The investigators were allowed considerable latitude in how they worked, and were encouraged to be unorthodox and imaginative. In one case, Mr Allcock and others took the registration numbers of cars parked in residents-only car bays in wealthy parts of London. Checking these numbers led to the discovery of many businessmen who claimed dispensation from paying tax on the basis they were not resident in the UK.

The jury yesterday found Mr Allcock guilty, by 10-1 majority verdicts, on six charges of corruption. Four were sample charges relating to him accepting cash payments totalling £150,000 from unknown businessmen in exchange for showing them favourable tax treatment.

Another concerned his acceptance from a Turkish businessman living in New York of a luxury holiday which included a Bermudan cruise and a Concorde flight to London. The last charge concerned his corrupt acceptance of the services of a prostitute.

Mr Peter Black, prosecuting, told the jury at the start of the trial: "Michael Allcock, a senior public servant, abused his position and betrayed the integrity of the Inland Revenue for his personal enrichment." Mr Allcock was acquitted of a further five charges alleging he corruptly accepted other holidays. He was remanded in custody overnight and is expected to be sentenced today.

His co-defendant Mr Hisham Alwan, an Iraqi oil consultant, was convicted of corruptly providing Mr Allcock with the prostitute. Mr Alwan, who was acquitted on two other charges, is also expected to be sentenced today. He was allowed home on bail.

During the four-month trial, attention was focused on the way the Revenue's "Special Office" investigators worked. Although witnesses from the Revenue insisted these investigators were subject to ordinary Revenue rules, Mr Allcock disputed this, insisting they were allowed to disregard normal procedures.

In his career with the Revenue, Mr Allcock was prominent in investigations into a number of well-known figures such as Mr Terry Ramsden, the former Japanese warrants dealer later convicted of fraud. Mr Allcock also claimed a significant role in the initial probe into Mr Asil Nadir, the former Polly Peck chairman, when his company was still regarded as one of the UK's successes.

After yesterday's verdicts, the Revenue said: "This has been an exceptional case for the Inland Revenue. Our work demands the highest level of integrity from staff when carrying out their duties. Any member of staff who lapses from this high standard must be prepared to face the consequences of their actions."

Revenue officials said that its rules and management procedures had been tightened following Mr Allcock's case. Internal disciplinary proceedings are now to be brought against a number of other senior Revenue staff.

Opposition 'is aiming for deep cuts in defence'

By Bernard Gray, Defence Correspondent

Mr Michael Portillo, the defence secretary, yesterday accused the Labour party of using its proposed defence review as a cover for deep defence cuts as he unveiled the Ministry of Defence's new military doctrine.

"Labour's review is nothing to do with better defence, but with less defence," said Mr Portillo. "It is a thin mask for defence cuts which would follow if Labour were elected."

Mr David Clark, Labour's defence spokesman, hit back at Mr Portillo's claims. "The Tories have lied continuously about defence and they have slashed it with a series of unstructured and incompetent cuts," he said. "Mr Portillo will give no guarantee that there will not be further Tory cuts to Britain's defence."

The defence ministry's updated defence doctrine stresses the need for more mobile and flexible expeditionary forces, and further downgrades the risk of a direct attack on the UK.

Mr Portillo said the new defence guidelines showed that the ministry was keeping up with changing strategic threats, and meant there was no need for the defence review which Labour says it will order if it wins the coming general election.

Mr Clark argued that Mr Portillo's new doctrine is flawed because it is not based on a strategic review of Britain's defence commitments.

"The strategic review which Labour will set up is not a device by which to make cuts in the defence budget. Rather, it will restore long-term stability and security to Britain's defence, which has for so long suffered cut after cut under the Tories."

The ministry's new defence doctrine is the second change since the end of the Cold War. After the fall of the Berlin Wall, priorities were shifted to cover defence of the UK, defence of Nato allies, and the promotion of the UK's wider security interests through the maintenance of international peace.

However, events such as Bosnia have made such strict definitions unworkable, and the ministry has now established seven different priorities. The emphasis is now on regional peace-keeping and smaller regional conflicts.

UK NEWS DIGEST

Top client stays with MGAM

Morgan Grenfell Asset Management, an offshoot of Deutsche Bank, has held on to one of its largest money management mandates despite the controversial departure of Ms Nicola Horlick last month and the sacking of Mr Peter Young, a star fund manager, last year.

The Wellcome Trust has told MGAM that it wants it to continue to manage £489m ($792m) of its £8.5bn fund. The decision follows a review carried out by Wellcome Trust executives. MGAM said the decision "shows that it's business as usual, post Peter Young and Nicola Horlick; we have spent a lot of time since the Young affair broke holding clients' hands and reassuring them".

When Ms Horlick resigned as a director of MGAM last month, pension fund consultants predicted that it would lose several clients. Her departure was seen as particularly damaging for MGAM because it came after Mr Keith Percy has been dismissed as chief executive following the discovery of Mr Young's deception. Wellcome's decision to stay with MGAM is seen as especially important because Mr Percy and Ms Horlick had both been directly involved in managing the account.

William Lewis

■ DE LOREAN RULING

Accountants aim to re-open case

Arthur Andersen, the accountancy firm, yesterday applied to have its 12-year legal battle with the British government over the collapse of the De Lorean car company reopened in the High Court in London.

The move follows a ruling last week by a judge in New York that the UK's outstanding claims could not proceed in the federal court system but could be resubmitted in a state court. The De Lorean Northern Ireland sports car venture collapsed in 1982, and in 1985 the UK government sued Arthur Andersen in the UK and the US alleging conspiracy, fraud and negligence in auditing the company.

Andersen believes it would be quicker to revive the English proceedings than start all over again in a US state court.

Robert Rice

■ LIFE ASSURANCE

Fewer to face genetic criteria

Fewer people are likely to be asked for the results of genetic tests when buying life assurance following a split between some of the biggest insurers and smaller rivals over policy.

The Association of British Insurers, which represents 440 companies, said yesterday that its members have agreed not to use genetic test results for the next two years when pricing home-loans related life cover for insured sums of up to £100,000.

Nearly all insurance companies have for some time required customers to submit the results of genetic tests if they have taken them.

But some of the bigger insurers are expected to follow the example set by Standard Life, which since November has not asked for the results when selling all types of life assurance. Others may make more limited concessions which nevertheless go further than the policy endorsed by the ABI. Controversy over the use of genetic test results by insurers has grown with advances in genetic technology, which some fear could create an uninsurable underclass.

Christopher Adams

Editorial comment, Page 13

ARTS

Television in Africa/**Michela Wrong**

Without a voice of its own

Until I came to Africa, I never owned a video. Call me old-fashioned, but the idea of watching a film in the privacy of my own home instead of going to the cinema seemed self-indulgent, a sin on a par with binge-eating, self-abuse or secret drinking.

Those days are gone. I now flaunt my cassettes without embarrassment and visit the video library without dreading a meeting with someone I know. For the sad fact is that most African television is so excruciatingly unwatchable that the video plays as vital a role in retaining one's sanity as gin-and-tonics once did in saving colonials from malaria.

The awfulness is a combination of factors: feeble resources, amateurism, tunnel vision. But the suffocating grip of governments who know re-election depends on keeping control of the broadcast media is perhaps most to blame for the sheer banality of it all.

A year in Cote D'Ivoire was my first introduction to the mind-dulling combination of imported soaps, African dancing competitions and news broadcasts dominated by near-religious reverence for the president of the day, who rarely actually spent any time in the country.

The nadir was touched when I got to Zaire, where the broadcasting authority was keeping its operation afloat with two elastic bands and a roll of Sellotape.

When President Mobutu Sese Seko was in his prime, the news started with a sequence showing him descending to earth from the clouds. By the time I arrived, this had been replaced by a screeching signature tune that plunged into an off-key whine as the logo jerked around the screen. It was the most telling symbol imagineable of Zaire's decline.

Cassettes used to film the news had been reused so many times, images were obscured by a blizzard of scratches. When the picture was good, there was no sound. When there was sound, the screen froze. Sometimes, despairing technicians simply broadcast still photographs – the president, getting off the plane, the president, walking on the red carpet.

As the year progressed the midday news got later and later, the once smoothly apologetic newscaster no longer even bothering to pretend his crew would be able to get the show back on the road in *"quelques instants"*. One day, there simply was no midday broadcast. It was a massive relief.

Moving to Kenya, I found the presidential hand resting only slightly less oppressively on the medium. After a while, you can lip-synch the formulaic opening of the news broadcasts on even the supposedly independent KTN channel: "President Daniel Arap Moi today . . . ."

As for the civil wars exploding in the region, with potentially enormous implications for Kenya, viewers – as in so many parts of Anglophone Africa – rely on feeds from CNN for information. For foreign news is so cripplingly expensive to produce, local stations are incapable of providing coverage of their own. Which means that African stories are being presented to African audiences through the viewpoint of an American news channel, with all that implies in terms of simplification and a tendency to favour the accessible "human interest" angle over political complexities.

Most worryingly, this American viewpoint – and in Francophone Africa, the viewpoint of French stations that feed into local news – is also the framework in which the continent's leaders are making policy decisions.

But the absence of an independent African voice is not only explained by the cost of foreign news coverage. Documentaries, discussion shows, one-on-one interviews or local soaps can be cheap to make, but are in strikingly short supply. For they involve ceding control, tolerating dissent, airing touchy issues of the day – not qualities that have kept a generation of African autocrats in power.

How much easier to fill the hours with western imports, many of them wildly outdated: *Neighbours*, *The Young and the Restless*, *Knot's Landing*. Kenyan announcers present repeats of *The Benny Hill Show* – all 1970s side-burns and flares – as though they were made last week, apparently unaware the comedian is dead.

Does an urban Kenyan really see his concerns reflected in the sitcoms featuring well-heeled black American families, or identify with the outpourings on the *Oprah Winfrey Show*? I doubt it. But it's far safer to discuss America's fears and fantasies than his own.

A couple of months ago, it was the anniversary of Kenyan independence from Britain. To mark the day, the broadcasters had dredged up some moving archive footage – the lowering of the Union Jack, a stadium crowd cheering new president Jomo Kenyatta. They were images that inevitably made the viewer ponder whether history had betrayed or fulfilled the hopes present that day. Then the presenter, to my amazement, announced that a documentary on Kenya would be screened. Could we be about to see a polemical assessment of the country's post-independence development?

I leaned forward with excitement. The narrator appeared on screen. The picture was black-and-white, she was sporting an Afro hairstyle that placed the programme firmly in the 1970s. The challenging analysis of Kenya's past and present was more than 20 years old. Time, I reflected, to switch on the video.

Theatre/**Alastair Macaulay**

Newspaper satire

Although Doug Lucie's new play, *The Shallow End*, is about the world of British journalism and global media politics, its point lies not in whether you or I can recognise any of it to be lifelike. It is a partly satiric, indeed Orwellian, view of how finance steers journalism, and it is intended to be the kind of play at which liberals can hug themselves in dismayed glee, enjoying its wittily appalling diagnosis of the way things are going. So far so good. Its goings-on do not remind me of my own experience of the world of newspapers, but I too observe with concern the extent to which journalism is steered by the financial pressures that most concern the paymasters. But if only Lucie, in the manner of GBS, had written a preface to his play! It would surely be more compelling to read than his play proves to observe.

The best part occurs before you know who is who and why they are there. Kirk, a boss in morning suit, commences what proves to be an exceptionally erotic interview over champagne with Slater, a tough minx in a black micro-dress. The fun of this is best while you still think he might be, say, a cabinet minister and she a spy. When you realise that he is (merely) the editor of Britain's best-selling Sunday newspaper and she a tacky star writer whom he is hiring, the tension drops. It never quite recovers. The play, we gradually realise, occurs over one afternoon at the hired-country-house wedding of a media magnate's daughter, and concerns the hirings, firings, demotions, and sideways-promotions of various figures on the newspaper who have all been bussed in to the epithalamial festivities.

The point of all four scenes is that, in this milieu, everybody gets screwed one way or the other; and Lucie's attitude could not be more cynical. In Scene Three, a political editor is embarrassed for having been caught cheating on his wife. As soon as he is off the scene, she reveals that she too has cheated (but has been spared guilt, not having been caught). He has, of course, left the stage to be demoted. In Scene Four, Rees, a renegade foreign correspondent gets sacked only to reveal that he has been working on a documentary on media practices in the Far East which will embarrass his ex-employers. The play ends with the reappearance of a waitress we had seen being lazily screwed throughout Scene Two. She steals all the credit-cards from the handbag that Slater, in Scene One, had left in the room. Curtain.

For too much of this play, Lucie leaves us in no doubt how we should react. The dialogue has little drama; it keeps turning into mere dialectic before our very ears. We know where we should cluck "It's happening everywhere", we know which characters are bad, and which are worse.

The staging, directed by Robin Lefevre, does not help. We know that the political editor's wife is elegantly jaundiced but neglected as soon as we see her, because she is played by Jane Asher. Alas, this role is the only one this actress has played for years, and she is not quite up to the vehemence of the big speech in which she tries to rouse her demoted husband. Julia Ford, as Slater, brings the most danger and ambiguity to the play. But soon even her performance ceases to be three-dimensional.

The newspaper's chief executive – the biggest creep in the play, and the crummiest role – has to say "You're talking nine quarts of puke, Rees" and then, in his next speech, "We've opened the door to the 21st century and you're slamming it shut". Lucie is entitled to his pessimism; but why must he make it so slick?

At the Royal Court Theatre Downstairs, Duke of York's Theatre, WC2.

Julia Ford and Tony Doyle in Doug Lucie's 'The Shallow End' Alastair Muir

Concerts/**Antony Bye**

Best of British

Gone are the days when British composers were considered Europe's poor relations. Young British composers are as up-to-date, technically accomplished and open-minded as any from wider afield, a view which "The State of the Nation", a weekend of concerts and workshops hosted by the London Sinfonietta at the Queen Elizabeth Hall, did much to support.

The weekend certainly offered value for money: two Sinfonietta concerts, recitals for piano (Thomas Adès playing some of his own music alongside that of his contemporaries) and viola and piano (the ever dependable Paul Silverthorne and John Constable); two "composer surgeries" (led by Param Vir and Diana Burrell); an education project; a concert of music for amateurs; and two lively debates on the problems faced by serious composers today.

Inevitably, the selection of the two dozen pieces performed could not hope to fully represent the breadth of compositional activity in Britain today, and financial restrictions had doubtless precluded the inclusion of large-scale orchestral and vocal works. But there was still enough music of substance to make the whole enterprise well worth repeating on a regular basis.

The music ranged widely in style and sophistication, from the expertly crafted, subjective intensity of Philip Cashian's feverish Chamber Concerto to the jazz-fusion quasi-improvisations of Django Bates, which were no doubt included to conclude the weekend on a suitable note of triumph.

Whether these strenuous attempts to welcome jazz into new music's ever broadening church are likely to increase the franchise for more challenging fodder is another matter. As a consequence of living in a society without a shared sense of any cultural imperative, we still lack a context for adventurous modern music.

It was probably significant that the most satisfying piece of the weekend, *Tiroirs*, by the 36-year-old David Sawer, should come from a composer who makes no concessions to popularism, but who has proved his credentials outside the new music circuit, as his various orchestral commissions (such as his 1992 Proms piece *Byrnan Wood*) and *Tiroirs* – cogently argued, witty, and not a moment too long – eloquently testified.

But as sustained opportunities for enterprising young composers willing to take risks and be themselves are few and far between, we need more events like "The State of the Nation". There is a lot of talent out there. Who is prepared to give it a home?

Concert/**David Murray**

Sparkling Schubert

The Wigmore Hall is running more Schubert-bicentenary series than anybody else this season, being the natural place for the piano and chamber music and songs which comprise so much of that composer's output. The complete string-quartet series had its fifth instalment on Friday, when the Takács Quartet made a welcome return to play two of Schubert's earlier quartets and – with friends – the evergreen "Trout" Quintet.

They began with the charming D major quartet D.74, written in Schubert's 17th year. Even in this friendly, uncomplicated work, the quite special Takács character made itself felt. They are all strongly individual players: one was sorry that their dashing second violin, Károly Schranz, had to sit out the "Trout", which omits any role for him in favour of a visiting double-bass (so as to give the strings more weight against the piano).

Anyhow, the Takács style is to maintain a great respect for historical chamber-style, never moving too far toward expansive modern manners, whilst lighting up the music with continual expressive touches – discreet and subtle, but volatile, surprising and often exquisite. No other current quartet sounds quite like them. I could believe that some of this lively freedom is owed to Hungarian gypsy musicians, who revel in vivid dynamic extremes within a single phrase, the better to seduce their listeners.

After the cheerful little D major quartet the Takács addressed themselves vigorously to the E major, D.353, in which the string-writing is far more ambitious. They allowed themselves room to play like the imaginative soloists they are. One wondered why this brilliant 19-year-old's quartet is so rarely heard.

For the "Trout" Quintet they invited the Hungarian pianist Dénes Várjon and the American bassist Joseph Carver to join them. Impeccable choices: Várjon's under-pedalled playing, articulate and witty, was precisely what the work needs, and Carver made his double-bass speak with musicianly weight – a contribution well beyond the norm, where the bass more often sounds like simple ballast. A very satisfying evening.

The Takács Quartet play Brahms at the Wigmore Hall on March 8, 12 and 14.

Opera/**Richard Fairman**

A lively Figaro

The London Coliseum was well filled with Valentine's Day couples on Friday. I am not sure *Figaro's Wedding* (as English National Opera very correctly translates *Le nozze di Figaro*) was the most appropriate choice for the occasion, but it was not a bad night for falling in love with Mozart.

Although productions of the other Mozart operas have been hit and miss in London since the composer's bicentenary year in 1991, *Figaro* has kept up a winning streak. Vick's staging was new that year and has yet to become stale. This time round, though, what we hear is not as sharp as what we see. The conductor, Nicholas Kok, keeps the music bustling along at busy tempos; but the swift speeds are not matched by articulation or grip. Nor does the ENO orchestra play for him as though it is fully awake.

This is a shame, as the action on stage does not nod for a moment. Robert Poulton gives a brilliantly-defined portrayal as the Count: he knows exactly what is going on in that man's mind. Each scene between him and Rebecca Caine's bright Susanna – intelligent, quick-witted, but also delightfully natural – was opera coming alive as drama.

It is not possible to say quite the same of Janice Watson's Countess, but she does sing the role very well. Even "Porgi amor" (or whatever it is in English) was easily and elegantly shaped, as though it never occurred to her that sopranos regard it as the dreaded opening aria. Perhaps Jonathan Summers is not the quick-fire Figaro the rest of the cast deserve, but he has a certain bulldog force. With Nerys Jones making an amusing, boyish Cherubino, and a strong supporting trio from John Graham-Hall (Basilio), Anne Mason (Marcellina) and John Connell (Bartolo), everybody has something to offer.

There are happily a good few laughs along the way. Anybody who enjoys a *Figaro* that is funny should have the sense of humour to overlook the Designers' Guild sets here that are already starting to look their age. I also think that the final nocturnal garden scene, in which the singers stumbling around on a set that is neither dark nor a garden, may wipe the smiles away before the end. Otherwise, this is the standard of revival that ENO audiences would like to see more often.

Further performances until March 20.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● The Nederlands Kamerorkest: with conductor and pianist Philippe Entremont perform works by Copland, Gershwin, Barber, Glass and Ginastera; 8.15pm; Feb 22

EXHIBITION
Amsterdams Historisch Museum Tel: 31-20-5231822
● Peter de Grote en Holland: exhibition bringing together objects collected by the Russian Tzar Peter the Great (1672-1725) during his stay in Holland 300 years ago. Included are paintings by 17th century Dutch masters, scientific instruments and personal belongings of the Tsar. The exhibition was previously shown at the Hermitage in St Petersburg; to Apr 13

ANTWERP

CONCERT
deSingel Tel: 32-3-2483800
● Symfonieorkest van de Munt: with conductor Rudolf Barshai, bass Eldar Aliev, pianist Alexander Madzar and the Mannenkoor van de Munt perform works by Mozart and Shostakovich; 8pm; Feb 22

BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Ensemble United Berlin: with conductor Peter Hirschl and soprano Melanie Walz perform works by Nono, Ullmann and Spahlinger; 7.30pm; Feb 21

BRUSSELS

CONCERT
Palais des Beaux-Arts Tel: 32-2-5078200 (Concerts)
● Alban Berg Quartet: perform works by Schubert; 8pm; Feb 22

COLOGNE

OPERA
Opernhaus Tel: 49-221-2218240
● Die Zauberflöte: by Mozart. Conducted by Guido Johannes Rumstadt, performed by the Oper Köln. Soloists include Dieter Schweikart, Julie Kaufmann and Michael Vier; 7.30pm; Feb 21

DUBLIN

CONCERT
National Concert Hall Tel: 353-1-6711888
● Benjamin Dwyer: performance by the guitarist accompanied by flutist Susan Doyle. The programme includes works by Bartók, Takemitsu, Dwyer and Piazzolla. Part of the Dublin Guitar Week; 1.05pm; Feb 22
● Die Schöpfung: by Haydn. Conducted by Colin Block and performed by Culwick Choral Society. Soloists include soprano Orla Boylan, tenor Emmanuel Lawler and bass Gerard O'Connor; 8pm; Feb 22

FRANKFURT

CONCERT
Alte Oper Tel: 49-69-1340400
● Orchestra of the Age of Enlightenment: with conductor Nicholas McGegan and countertenor Andreas Scholl perform works by Handel; 8pm; Feb 22

DANCE
Jahrhunderthalle Hoechst Tel: 49-69-3601240
● Meryl Tankard's Australian Dance Company: choreographed by Meryl Tankard perform "Furioso", to music by Pärt, Sharp and Górecki; 8pm; Feb 21

LISBON

CONCERT
Grande Auditório da Fundação Gulbenkian Tel: 351-1-7935131
● Orquestra Gulbenkian: with conductor Claudio Scimone and pianist Stanilav Bunin perform works by Rossini, Mozart and Mendelssohn; 7pm; Feb 21

EXHIBITION
Modern Art Centre Tel: 351-1-7935131
● Treasure Island: exhibition showcasing works of British art collected by the Calouste Gulbenkian Foundation since the late 1950s. The display is split into two sections; the first covering the period from the late 1950s to mid-1960s, the second from the late 1960s to the present. Artists with work on show include Peter Blake, David Hockney, Howard Hodgkin, Bridget Riley, Francis Bacon, Tony Cragg, Anthony Gormley, Damien Hurst and Gary Hume; to May 4

LONDON

CONCERT
Queen Elizabeth Hall Tel: 44-171-9210600
● Philharmonia Orchestra: with conductor Esa-Pekka Salonen and soprano Phyllis Bryn-Julson, alto Rose Taylor and baritone Omar Ebrahim perform works by De Mauchaut, Grimace, Tenorista, Solage and Ligeti; 7.45pm; Feb 22
Wigmore Hall Tel: 44-171-9352141
● Sa Chen: the pianist performs works by Beethoven, Schumann, Rachmaninov and Liszt; 7.30pm; Feb 20

EXHIBITION
Barbican Art Gallery Tel: 44-171-6384141
● Lucie Rie & Hans Coper: Potters in Parallel: exhibition looking at the joint careers of the potters Dame Lucie Rie (1902-1995) and Hans Coper (1920-1981). On display are 300 pots from over three decades, ranging in styles from domestic ware they produced together in the 1950s to individual work in porcelain and stoneware; from Feb 20 to May 26

NEW YORK

CONCERT
Carnegie Hall Tel: 1-212-247-7800
● Thomas Hampson and Wolfgang Sawallisch: the baritone and pianist perform Schubert's Winterreise, D911; 2pm; Feb 23

EXHIBITION
MOMA - Museum of Modern Art, New York Tel: 1-212-708-9400
● Manuel Alvarez Bravo and 20th Century Mexican Photography: exhibition featuring 175 photographs, covering Bravo's formal experiments in the 1920s and later modernist works inspired by Surrealism; from Feb 20 to May 18

PARIS

CONCERT
L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99
● Orchestre de l'Opéra National de Paris: with conductor Gary Bertini and soprano Natalie Dessay perform works by Berg and Brahms; 8pm; Feb 21
Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50
● Maxim Vengerov and Igor Uryash: the violinist and pianist perform works by Mozart, Shchedrin, Elgar and Tchaikovsky; 8.30pm; Feb 21

DANCE
Théâtre de la Ville Tel: 33-1 42 74 22 77
● Three Movements: choreographed by Anne Teresa De Keersmaeker to music by Schönberg, Berg and Wagner and performed by Rosas; 8.30pm; Feb 20, 21, 22, 19

SAN FRANCISCO

CONCERT
Louise M. Davies Symphony Hall Tel: 1-415-864-6000
● San Francisco Symphony: with conductor Roger Norrington perform works by Mozart; 8pm; Feb 21, 22, 23 (2pm)

OPERA
Bill Graham Civic Auditorium Tel: 1-415-861-4008
● Aida: by Verdi. Conducted by Donald Runnicles, performed by the San Francisco Opera. Soloists include soprano Michele Crider, mezzo-soprano Nina Terentieva, and tenor Fabio Armiliato; 7.30pm; Feb 20

ZURICH

CONCERT
Tonhalle Tel: 41-1-2063434
● James Galway: performance by the flautist, accompanied by Phillip Moll on cembalo and Sarah Cunningham on viola da gamba. The programme includes works by Bach and Handel; 7.30pm; Feb 23

Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. **Tel: 31 20 664 6441. E-mail: artbase@pi.net**

WORLD SERVICE

BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Ian Davidson

In the fast lane

Nato enlargement may move quicker than EU expansion, but it threatens to jeopardise east-west relations

If the first requirement of a US secretary of state is an infinite capacity for air travel, then Mrs Madeleine Albright has what it takes. Rome on Saturday, Bonn on Sunday, Paris on Monday, an urgent Nato meeting in Brussels on Tuesday, London on Wednesday and Moscow on Thursday.

The main purpose of Mrs Albright's hectic travel schedule is to push the plan to enlarge Nato into eastern Europe by hustling alliance members into line, and persuading the Russians not to make too much fuss about a project which marks a big shift in the strategic balance against them.

"We're on a very fast track here," she tells reporters. "We have lots of work to do before July." That is when Nato will formally offer membership, probably to Poland, Hungary and the Czech Republic.

At stake is whether Russia can be persuaded publicly to acquiesce in Nato's plans, in exchange for a far-reaching consultative charter arrangement with the alliance. Mrs Albright comes with new sweeteners for Moscow: "We are constantly adding meat to the charter," she says.

But if the Russians refuse to be mollified with a compensatory agreement, the *price of enlargement may be* a new and entirely gratuitous east-west confrontation. Hardened Nato warriors are unfazed by the prospect: the Russians lost the cold war, so they have to take the consequences. But Mr George Kennan, arguably the most influential US strategist of the cold war, takes a different view. He thinks expanding Nato "would be the most fateful error of American policy in the entire post-Cold war era."

"Why," he asks in a recent article, "should east-west relations become centred on the question of who would be allied with whom and, by implication, against whom, in some fanciful, totally unforeseeable and most improbable future military conflict?"

A serious western quarrel with Russia must raise two questions. First, would the US Senate really have the stomach to underwrite new security guarantees for eastern Europe in the face of fierce Russian hostility? It is far from certain.

Second, if Nato were faced with a serious confrontation with Russia, would it nevertheless follow through with further offers of membership to other eastern European countries which might really need western guarantees, such as Romania and the Baltics? I wonder.

Nato enlargement would be much less of a problem if it could be run in tandem with the enlargement of the EU. Then, Nato would be less high-profile and provocative, and the eastern Europeans would get what they really need: political and economic integration with the rest of Europe. Unfortunately, the two projects have become totally disconnected.

The first new Nato members should join in 1999, but the first new EU members cannot expect to join until well into the next century. An incautious Commission official has forecast 2002, but the European Policy Centre in Brussels forecasts 2003 as an optimistic target. A Chatham House paper *hazards 2005 or even later*. Even these distant dates are largely guesswork, since the EU has yet to decide how to organise the negotiations or which candidates will be in the first wave.

Critics say the contrast confirms old stereotypes. The Americans (in Nato) are forthright, generous, decisive; the Europeans are slow, bureaucratic, protectionist. There is something in this – the Americans *are* being decisive and the Europeans *are* being slow. Where EU enlargement is concerned, the loudest noise from Brussels is the sound of dragging feet.

Yet the real contrast is not in the different behaviour of the US and the Europeans. It is in the fundamental difference between Nato and the EU. Nato will be virtually unchanged after enlargement – in operational terms.

The reason is political: Nato is run by unanimity, which means it is run by the US. Strategically, Nato enlargement will transform Europe, possibly for the worse. But operationally, Hungary and Poland will just be bolt-ons to an unchanged integrated structure.

The EU, by contrast, will *be transformed by eastern* enlargement. Again the reason is essentially political. The EU is increasingly run by majority vote and 10 new members in eastern Europe must change the balance of power. This is not a drawback. It is the nature of the enterprise. But it is impossible for the EU to expand from 15 to 25 members and still stay operationally the same.

The Common Agricultural Policy, for example, cannot be applied to the countries of eastern Europe. Yes, it would cost too much, but the main reason is that it would inflict ruinous inflation on the candidates. In Poland, where a quarter of the population is engaged in farming, the CAP would increase farm incomes by 48 per cent.

The CAP is just one example. The candidates are so much poorer that their arrival will raise fundamental questions about the nature and the purpose of the Union. One response might be to abolish, on grounds of cost, all centrally funded redistributive *policies. Another might be* to accept a large increase in the central budget.

The EU will not adopt either of these radical alternatives. Instead it will stumble from compromise to compromise. The process will take many years because EU enlargement can be defeated in 15 different parliaments.

Nato enlargement, by contrast, is only at risk in one parliament – the US Senate. But if it goes ahead, it could jeopardise east-west nuclear and conventional arms control: as it is, the Russian Duma is already threatening to throw out the Start nuclear arms treaty.

Mrs Albright meets French counterpart, Hervé de Charette

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'); e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com. Translation may be available for letters written in the main international languages.

Unilever chief right on Emu

From Dr F.J. Lindars.

Sir, Mr John Redwood is fully entitled to hold and to express his opinions and indeed his prejudices ("Unilever chief walks into Emu row", February 13). Whether they merit prominent exposure, complete with mugshot, in the middle of the front page of a responsible paper – or any publicity at all – is an altogether different matter.

As a modest shareholder in Unilever I strongly support both the liberty to express and the values held by Mr FitzGerald, both as chairman of the UK arm of the company and in his role in the Confederation of British Industry.

As shareholders we indirectly employ him for, among other things, his judgment. Since he manifestly has more knowledge and experience, and broader and more expert advice on matters of European and international trade and commerce than has Mr Redwood, Mr Redwood should listen to him rather than shoot off empty rhetoric.

While the place and aspirations for an independent role of the UK as seen by the rightwing Europhobes might conceivably have represented a tenable position in the year 1897 – "apogee of empire and Diamond Jubilee of our own dear Queen" – this is 1997 and an era of interdependence and global markets.

Mr Redwood and his allies should ponder on the symbolism – reflecting the reality of 100 years of history – that in the early hours of July 1 the last voyage of Bri*tannia, from Hong* Kong, will be into the dawn of the day after that on which the British Empire has seen the sun finally set.

We have lost an empire. Mr Redwood would deny us a role, in the heart of Europe, of exerting influence in matters where we no longer have power.

F.J. Lindars,
Beechmont,
Gracious Lane,
Sevenoaks,
Kent TN13 1TH,
UK

Time will solve most problems

From Professor Ira Sohn.

Sir, It is a pity that Vanessa Houlder ("Ticking over efficiently", February 17) did not share with us the super-efficient paper-management technique practised by Francisco Franco.

The Spanish dictator, after reviewing the day's paper*work, placed it in a folder* marked "Problems which time *will* solve". Every few days he transferred the contents of the first folder to a second one on the other side of his desk that was labelled "Problems that time *has* solved".

Ira Sohn,
professor of finance,
school of business administration, department of economics and science,
Montclair State University,
Upper Montclair,
New Jersey 07043, US

Ignorance only feigned

From Mr Michael Weinstein.

Sir, In her article on the impeding changes in Russia's constitution ("Russia turns mind to life after Yeltsin" February 13) Chrystia Freeland took liberties with a rather tragic chapter in Russia's history. Her sarcas*tic description of how, back* in 1825, St. Petersburgers rallied for konstitutsia (Russian for "constitution"), all the while thinking they were *cheering for a foreign prin*cess of that name, unnecessarily promulgates the tired image of a dumb Russian, forever ignorant of the basics of democracy.

The anecdote is quoted out of context. In December of 1825, a group of liberal-minded Russian aristocrats, most of them officers in the Imperial Guard, attempted to overthrow the absolute monarchy, as well as the serfdom, in Russia. To the cheers of the onlookers, they led several regiments, bands playing, banners unfurled, to the Senate (Petrovskaya) Square in St. Petersburg, where they led the soldiers in the chant of "long live the constitution!" The poorly-organised insurrection was easily suppressed by the Tsar's loyal regiments.

There is some anecdotal *evidence that the ordinary* rebel soldiers, when interrogated by the secret police, claimed they did not know about the officers' true objec*tives and were ordered to* yell "long live konstitutsia!" by their superiors. Asked if they new what konstitutsia was, some soldiers said that they thought it was a foreign princess engaged to one of the Romanovs. We thus do not know whether the soldiers were truly stupid or (more likely) feigned ignorance to save their lives.

Michael Weinstein,
senior manager,
Ernst & Young,
1225 Connecticut Ave.,
Washington, DC 20008, US

Results at odds with calculator

From Mr Juan Palacios.

Sir, The probabilities of some European countries joining Emu as provided by the J.P. Morgan Calculator ("Emu: who's going to make it", January 1 and February 11) are in clear disagreement with the results of polls conducted by Reuters or Consensus Forecast which tend to give much lower values.

Who is right? It looks as if the figures provided by the *Emu* Calculator are misleading. They are in fact good percentage estimations on how interest rates will have fallen by 1998 related to a certain time in the past. But to assume that these estima*tions* reflect the likelihood of entering Emu is unwarranted. In fact, some countries could have reduced their interest rates sharply, but still would not make it into Emu.

Juan Palacios,
head of the research department,
Banco Bilbao Vizcaya,
Madrid, Spain

No basis to argument

From Mr Paul J. Hinton.

Sir, Your editorial on the UK Labour party's proposed windfall tax ("Rotten apple", February 14) misapplies the classic economic argument favouring profit incentives for efficiency gains in regulated industries. As long the once-only feature of the tax is credible, the incentive argument does not hold.

The observation you make that "the City has taken the proposal remarkably calmly" perhaps provides an indication of the market view on this key issue of credibility. If the City were concerned that Labour's windfall tax proposal indicated an intent to make future confiscations of profits then your claim that "Labour will weaken the drive to efficiency and might raise the cost of capital" could have some basis.

However, as you present it, the core of your "rotten apple" argument appears to be missing.

Paul J. Hinton,
117 Bergen Street,
Brooklyn,
New York, NY 11201,
US

UN must recognise error of refugee plan

From Mr Tony Jackson.

Sir, As the person responsible for having "lambasted", as Edward Mortimer put it ("Action for peace", January 29) the international community for helping rebuild the Rwandan Hutu militia, may I comment? Clearly, conflict management should consist of making violent situations better, not worse. Yet by indiscriminately feeding the militia in Zaire the UN has helped intensify the war, while purporting to be trying to solve the problem! In the 1980s, under strong political pressure from the west, the UN helped rebuild the Khmer Rouge and Afghan guerrillas. There was, in contrast, no international interest in rebuilding the Hutu militia but it has happened nevertheless.

It is entirely predictable that there will soon be another mass exodus of refugees from areas of conflict (from the ex-USSR? the former Yugoslavia? within the African Great Lakes region itself?). So the UN must decide how to care for civilian refugees while avoiding the by-product of helping rebuild military forces. Placing refugee camps 25 miles from borders, refusing to allow militia in and out of camps and conducting proper censuses to establish who are genuine refugees, are among steps that must be taken to prevent the UN again being used for such dangerous military purposes.

Tony Jackson,
Great Lakes policy adviser,
International Alert,
1 Glyn Street,
London SE11 5HT, UK

Technology · **Andrew Baxter**

Recycling in a new light

Business and the environment can benefit from the recovery of mercury

The humble fluorescent tube, like most manufactured products, has many ingredients. Some are obvious – special soda-lime glass *for the tube itself, brass pins* and other metal parts at the ends – but others are less so.

Along with small traces of lead, antimony, barium, strontium and yttrium, there is about 20mg of mercury, used to conduct the electricity through the tube. Over the past 15 years a handful of small companies worldwide has focused on recovering these tiny amounts of mercury, which typically account for just 0.01 per cent of the weight of a fluorescent tube.

There are sound commercial reasons for recycling mercury, which can be sold back to the lighting industry if its purity is high enough. Recycling also provides a solution to the problem of disposing of used fluorescent tubes. *The mercury vapour* from broken tubes can be dangerous to breathe, while organs such as the brain and liver can be damaged irreversibly if small amounts of the metal or its water-soluble salts, particularly methylmercury, are ingested over a long period.

According to independent reports quoted by MRT Sys*tem of Sweden, one of the* leaders in the niche business of mercury recycling equipment, the mercury from one fluorescent tube can pollute 30,000 litres of water beyond a safe level for drinking.

MRT, which stands for mercury recycling technology, was founded in 1979 after the Swedish government put pressure on the country's lighting industry to find ways of recycling fluorescent lamps, rather than dumping them in landfill sites. Following a management buy-out in 1991, the company is now independent of the lighting industry and has sold its equipment to several European countries.

National regulations vary in Europe, but in the future more fluorescent tubes are expected to be recycled. Fluorescent tubes were included in a 1991 European Union directive on hazardous waste, while the European Commission's Landfill II directive specifies reuse, recovery and recycling of waste prior to landfill.

"To make a sale, there must be an interest in recycling mercury or legislation requiring it," says Mr Christer Sundberg, MRT's vice-president. As has happened with other innovative recycling technologies, the UK and Mediterranean countries have been slower than northern European and Scandinavian countries to express interest in mercury recycling, he says.

> There are sound reasons for recycling mercury, which can be sold back to the lighting industry if its purity is high enough

But this is beginning to change. Two years ago MRT signed a deal giving Manchester-based Independent Services Waste Management (ISWML) exclusive rights to use the technology in the UK. The UK company is already using MRT's technology to crush fluorescent tubes, high-intensity sodium lamps used for street light*ing, and other lamps,* separating the main components and leaving the rest in a phosphor powder.

Each year some 60m to 80m fluorescent tubes are available for recycling in the UK alone, along with about 40m street lamps. Because of the tiny amounts of mercury in fluorescent tubes, the UK's Environment Agency recently decided that they should not be classified as "special waste", which has to be tracked from where it is created as waste to its disposal site.

In contrast, fluorescent tubes have been classified as "special" or the equivalent elsewhere in Europe, but even in the UK producers of waste are still responsible for deciding whether or not *their waste is "special"*. The agency says it would still encourage the recovery of materials from fluorescent tubes and Mr Andrew Smith-Lawrence, ISWML's managing director, notes that some UK waste management companies are refusing to accept them for disposal on landfill sites.

ISWML, like its counterparts across Europe, is paid to collect the tubes from a wide range of customers in industry and waste management. "We're in talks with a lot of companies, and councils are jumping at the chance to work with us," says Smith-Lawrence.

The tubes are stored in steel crates before being fed – under carefully controlled conditions – into a standard 20ft shipping container which holds all the crushing and separation equipment. In May the UK company will be install l ing an MRT Superior distiller to extract the mercury from the powder, completing the recycling process.

The distiller can also process other types of high-content mercurial waste which do not need to be crushed first, such as dental amalgam, thermometers and button batteries from hear*ing aids*.

Smith-Lawrence plans to add two more mercury recycling sites in the UK – one in London and the other in Scotland – but also wants to develop the technology. MRT's distiller – which heats the phosphor powder to vaporise the mercury then condenses it in cooling traps, produces mercury that is pure enough to be sold back to the lighting industry.

"We get between four and six nines purity," says Sundberg – where "four nines" means mercury that is 99.9999 per cent pure. ISWML plans to adapt technology developed elsewhere in Europe to achieve "seven nines" purity, or 99.9999999 per cent mercury, which will significantly increase its value and allow it to be sold for use in medical applications.

Smith-Lawrence also wants to add value to the non-mercurial waste, which can be sold for reuse but only in low-grade applications. One project, on which a deal is imminent, involves grinding the glass by-product into an ultra-fine powder for use by an undisclosed international oil company.

FINANCIAL TIMES
COMPANIES & MARKETS

Week 9

Monday February 24 1997

AEP set to bid for UK power company

By Simon Holberton in London and Richard Waters in New York

Yorkshire Electricity of the UK was last night in talks with American Electric Power (AEP), the seventh-largest US electric utility, which might result in the Ohio-based company making a bid of up to £1.5bn ($2.4bn).

If Yorkshire accepts an offer from AEP it will be the seventh of 12 English and Welsh electricity companies to fall to a US bidder since the sector was privatised in 1991. It will leave Southern Electric as the only independent electricity company in England and Wales.

In December three US bidders went on a £3.4bn spending spree and acquired Northern Electric, East Midlands Electricity and London Electricity. After these bids the City of London did not expect another US bid for an English electricity company this close to a general election, which is now expected in May.

Although the Conservative government's attitude to bids for electricity companies suggests an AEP offer would be approved, a new Labour government might want to delay the bid pending a review of policy on the utilities sector.

Mr Christopher Hampson, Yorkshire's chairman, Mr Malcolm Chatwin, chief executive, and Mr Tony Coleman, finance director, were yesterday in talks with AEP at NM Rothschild's offices in London.

Yorkshire's shares ended last week at 818.5p, valuing the company at £1.3bn. However, analysts believe the company could fetch more than 900p a share, suggesting a bid value in excess of £1.42bn.

Yorkshire has a strong franchise in its home territory and a range of valuable non-core businesses.

Analysts yesterday pointed to Yorkshire's 22 per cent interest in a telecommunications company, its £30m investment in National Grid Group – which manages primary electricity distribution – and a portfolio of property developments approaching maturity.

These non-core activities could be worth 100p-120p a share in addition to a value of about 800p placed on its core electricity distribution, supply and generation activities, analysts say.

Yorkshire has, however, long been rumoured as a bid target. Its share price has risen strongly over the past three months.

American Electric Power, based in Columbus, Ohio, serves 7m homes across seven states. It reported an 11 per cent rise in net income last year, to $587m, as revenues rose 3 per cent to $5.85bn, reflecting the effects of cost cutting.

Lex, Page 16
Energy strategy, Page 18

Share options in 10-year Eisner package could amount to nearly $200m

Top pension fund opposes pay plan for Disney chief

By Richard Waters in New York

The biggest private pension organisation in the US has taken an unusual stand against a compensation package that could bring Mr Michael Eisner, the chairman of Walt Disney, more than $200m.

The College Retirement Equities Fund, which holds 1 per cent of Disney's shares, said it had already cast its votes against the compensation package, ahead of the entertainment group's annual meeting tomorrow in Anaheim, California.

The move, disclosed late on Friday, is the clearest sign yet of growing shareholder antagonism prompted by Disney's lavish ways with compensation. The company already faces lawsuits over a $100m-plus severance package paid to Mr Michael Ovitz, its former president – and friend of Mr Eisner – who had spent a little more than a year at Disney.

Mr Eisner had already netted more than $203m in 1994 as he cashed in some of the stock options awarded since he took over the once-struggling company in 1984.

CREF said it had also voted against a second plan which would award cash bonuses, based on performance, to a range of Disney executives.

The arrangements are "inappropriate and excessive, in view of [Disney's] performance over the past five years", said Mr Kenneth West, who heads the unit which monitors the adequacy of corporate governance arrangements at companies in CREF's portfolio.

Until recently, any complaints about Mr Eisner's pay have failed to take root, given the company's stellar performance in the 1980s and early 1990s. The more modest performance of the company's stock in the mid-1990s, however, has made shareholders restless.

The pension fund is part of the giant TIAA-CREF organisation, which manages $190bn on behalf of college and university employees.

The group regularly wields its investment muscle privately to cajole companies into paying more attention to shareholders' interests, but such a public stand against one of the country's biggest companies is rare.

Mr Eisner's latest 10-year compensation plan would give him options over 8m Disney shares, as well as his regular salary as chief executive, plus any cash bonuses. Based on assumptions made by the company, the options could eventually be worth $195m.

Mr West said CREF was also concerned about "the level of independence of Disney's board of directors", given that it had approved the compensation plans. Only seven of the board's 16 directors are non-executives, he added.

The public stance by CREF follows a spate of lobbying by groups which represent shareholder interests. Earlier this month, Institutional Shareholder Services, an advisory group based in Washington, DC, suggested that its 400 members protest against the compensation arrangements by withholding their support for five Disney directors who are standing for re-election at tomorrow's meeting.

While now going further by voting against the scheme, CREF said it would withhold its support for the directors, one of whom is Mr Roy Disney, nephew of the founder.

Walt Disney chairman Michal Eisner faces a challenge from a leading private pension fund over a compensation package that could bring him more than $200m

INSIDE

BAe

Merger talks between British Aerospace and the General Electric Company have practically collapsed over disagreements between the two sides about the value of their assets and the prospects for their businesses. Page 18

Brierley

Brierley Investments, the New Zealand-based company, will learn today whether it can lift its stake in John Fairfax, the Australian newspaper publisher, from 19.9 per cent to 24.96 per cent without making a full bid for the company. Page 19

Esselte

Shares in Esselte, a leading global supplier of office and labelling products, were jolted by a surprise announcement from Mr Bo Lundquist, chief executive, that he plans to quit the Swedish group. Page 20

Global Investor

This column recently argued that many international companies had to some extent broken free from their domestic origins. But that is, of course, only part of the story. Page 22

Worms

Worms, the French holding group, is, under a deal approved on Friday, to absorb Saint Louis, taking direct control of the latter's sugar and paper interests with the stated aim of getting better value for the shareholders of both companies. Page 19

Honda

Japanese motor vehicle manufacturer Honda said it nearly quadrupled pre-tax profits in the third quarter and was likely to exceed its forecast of record profits for the full year to March 30 as a result of strong sales of its recreational vehicles and a weak yen. Page 20

Pro Sieben to announce public offer plans

German TV group hopes preference share sale raises $500m

By Frederick Stüdemann in Munich

Pro Sieben, the German television and media group, will today announce plans for its public offering through the sale of 17.5m preference shares.

The announcement will put an end to speculation that the first offering of a television company in Germany would fail to get off the ground. Pro Sieben expects to raise about DM1bn ($500m).

Mr Georg Kofler, the chief executive, said the flotation would take place in "the first or second week in July" and the company expected a "healthy mix" of German and international investors.

Pro Sieben, which owns Germany's third-largest commercial television station, plans to sell non-voting preference shares carrying a guaranteed dividend supplement of 3 per cent above that paid to holders of common voting stock.

The company is already planning a capital increase that will create 5m new shares split between common voting stock, which will not be included in the offer, and preference shares.

The bulk of the proceeds from the public offer will go to Mr Thomas Kirch, son of the Munich-based film and television media mogul Mr Leo Kirch, who currently owns 49 per cent of the existing 15m preference shares and is in the process of acquiring the other 51 per cent.

Mr Kofler said Pro Sieben would use its share of the receipts for expansion, possibly in film and video production.

He said, however, that the group was not interested in buying another television station.

In 1995 the Pro Sieben group made profits of DM111m on sales of DM1.47bn. Mr Kofler said that in 1996 the group had "double-digit" growth in sales, and profits of more than DM150m. Full figures for 1996 will be released next month.

In 1995 the group had debts of DM1.5bn. The figure for 1996 would be a "little higher".

Mr Kofler said borrowings were exclusively committed to investment in programming. The bulk of the group's sales and earnings come from its flagship Pro 7 network.

In the crucial under-50 years old group of viewers, typically seen as the most important by advertisers, Pro Sieben has 15.3 per cent of market share in January, putting it in second place behind RTL, the biggest commercial network. In terms of the market as a whole, Pro 7 had 9.7 per cent, making it the fourth-biggest network.

Pro Sieben also owns a smaller channel, Kabel 1, and is active in diverse media businesses ranging from programme production to digital television services for business users.

The flotation – which was first announced last year – will be handled by seven banks led by Hypo Bank and BHF Bank. The others are Commerzbank, DG Bank, Goldman Sachs, CS First Boston and Salomon Brothers. BHF Bank will be the book runner.

German groups may block T&N bid

By Tim Burt in London

An informal coalition of German component manufacturers is threatening to block attempts by T&N, the UK engineering group, to take a strategic stake in Kolbenschmidt, the German pistons company.

The coalition – including Mahle, the automotive pistons producer – has warned it would ask Germany's supreme court to examine T&N's bid to acquire an initial 25 per cent stake in Kolbenschmidt as a precursor to a takeover.

T&N has been pursuing Kolbenschmidt for more than two years as part of its strategy to overtake Mahle as the world's number one pistons manufacturer.

Its German rival, however, has succeeded in persuading the country's cartel authorities to reject the proposed acquisition, claiming it would make Kolbenschmidt a captive customer of Goetze, T&N's German piston ring subsidiary.

That decision will be challenged this week at an appeal court in Berlin, where T&N lawyers will seek clearance to exercise options over 25 per cent of Kolbenschmidt. The court is expected to issue a ruling in mid-March.

If it rules in T&N's favour, as some City analysts expect, German manufacturers led by Mahle have vowed to take the matter to the supreme court.

That could take three years, during which T&N would be forced to extend options over almost 25 per cent of Kolbenschmidt, held on its behalf by Metallbank. It would also have to find a group of investors to "garage" options on a further 25 per cent of the German company held by Commerzbank. In the past two years, financing those options – exercisable at DM282.6m ($167m) – has cost T&N an estimated £44m ($71m)

Although it remains wedded to acquiring a controlling stake in Kolbenschmidt, T&N is thought to be contemplating bolt-on acquisitions and joint ventures with piston manufacturers in the US and the emerging markets of Latin America and the Pacific Rim. According to industry observers, the first deal could be announced in "a matter of weeks".

STATISTICS

COMPANIES IN THIS ISSUE

Frankfurt and Brussels to join Easdaq challenger

By Christopher Price

Frankfurt and Brussels will next month join Paris and Amsterdam in launching stock markets for high-growth smaller companies, paving the way for a pan-European exchange.

Preparations to link the four exchanges in Euro NM come four months after the launch of Easdaq, a pan-European stock exchange based in Brussels, and will intensify the competition to attract companies and investors.

Euro NM will eventually allow brokers at the four exchanges to trade in each other's stocks, with the total market envisaged at more than 500 companies within five years.

Amsterdam's Nieuwe Market, which was launched on Friday, will be joined early in March by new smaller-company markets attached to the Brussels and Frankfurt stock exchanges. Le Nouveau Marché in Paris has been operating for more than a year and has so far attracted 19 companies.

Within a few months, a common data feed will be operational, which will allow traders in each of the four markets to view the individual market's stocks. Full dealing facilities between Paris and Brussels are likely to be in place before the end of the year, with Frankfurt and Amsterdam joining shortly afterwards.

Beyond that, the plan is to attract remote members to Euro NM, so that traders in financial centres such as London and Milan could partake in the new market.

Mr Yanick Petit, deputy general manager of Le Nouveau Marché, said: "We will be going into direct competition with Easdaq, but we believe companies will prefer to deal with their local exchanges and have the added advantage of attracting a wide variety of international investors."

Polydoc, an Anglo-Dutch company, will be the first company to list on the Nieuwe Market.

Easdaq, which is modelled on the successful Nasdaq market in the US, is owned by around 80 European financial institutions. It has attracted six companies, capitalised jointly at $1.2bn.

Mr Stanislas Yassukovich, chairman of Easdaq, said: "Euro NM is not competition. It is a network of small-cap companies in national markets. Easdaq is a dedicated stand-alone stock market attracting different larger companies and because of that a different mix of investors."

BAe/GEC talks about merger near to collapse

By Bernard Gray, Defence Correspondent

Talks between British Aerospace and the General Electric Company about a merger of the two have all but collapsed over disagreements about the value of assets and prospects for their businesses.

One observer close to the negotiations described the probability of a merger as "very low indeed".

Discussions were in full flow but cooled before Christmas after reservations were voiced by both, and have lost further momentum. Lord Prior, GEC's chairman, is thought to have been concerned that a deal would be vulnerable to political problems in the run-up to a general election. However, the prospects of a merger after the election have dimmed further.

The two were considering a full merger because a joint venture of their defence businesses would leave GEC with no substantial wholly owned assets, and could give it problems generating UK earnings for its dividend. GEC was also proposing a one-off payment to its shareholders as part of the deal, but would have struggled to make the payment and achieve the financial terms it wanted for a merger given its lacklustre earnings prospects. GEC executives were split on the deal, with Mr George Simpson, the new managing director, favouring a merger with BAe as one of the few moves open to the company, while longer standing executives such as Mr David Newlands, finance director, urged caution.

BAe was concerned about the level of control GEC had over its power engineering and telecoms businesses, which are in joint ventures, and was worried that its shareholders could be damaged by GEC's poorer earnings prospects. BAe executives were united in the view that there was logic in putting the two companies' defence businesses together, but became increasingly worried about the valuation of GEC's non-defence interests, and the impact that would have on the effective price paid to put the two defence businesses together.

Lex, Page 16

Energy tones down its strategy

By Simon Holberton

Energy Group, which starts trading today after its demerger from Hanson, has backed away from an aggressive acquisition strategy after big investors expressed reservations about its plans.

In meetings with the company, investors said they were unsettled by reports that it planned to spend £500m investing in US generation. They expressed the hope that it would not pursue a Hanson-style diversification strategy.

The company consists of Eastern Group, the fourth largest generator and the largest electricity supply business in the UK, and Peabody, the world's largest private coal producer that fuels 9 per cent of electricity production in the US.

Mr Derek Bonham, executive chairman, said the priority for the company was completing a proposed acquisition of an energy marketing company in the US. This deal would be in the "tens rather than the hundreds of millions of dollars," he said. He added that it had no interest in buying large power stations in the US.

"Could we afford to spend up to $1bn? Yes we could, but it would be betting too much on one throw of the dice," he said.

Mr Bonham said Energy Group would seek innovative ways of gaining access to the US generation market. It could lease power stations, enter into power off-take agreements, and trade lower fuel prices for a share of electricity output, he said.

He said the company did not want to issue equity to fund growth. He said the company was not contemplating a share buyback, although they were useful for assessing the worth of investments. "It does force you to think about what creates value."

Mr Bonham denied that investors had raised any reservations about his leadership of the company.

"I don't think there are any doubts that we have run successful businesses," he said. "At least one US investor said he wanted to nominate me for businessman of the year."

Mr Bonham, 53, saw himself at the helm of the Energy Group for about six or seven years. "I plan to do other things by the time I am 60."

Tradepoint to achieve record

By William Lewis, Investment Correspondent

Tradepoint Investment Exchange, the electronic market attempting to break the London Stock Exchange's monopoly on trading in UK shares, is today expected to announce it has carried a record value of trades this month.

But later in the week, Tradepoint Financial Networks, owner of the exchange, is expected to report continued losses for the third quarter, reinforcing the belief that 1997 will be its make or break year.

Launched in September 1995, Tradepoint has around 0.3 per cent of UK equity trades, a long way short of the 2 per cent it needs to cover £6m of annual costs.

Furthermore, the days of Tradepoint being the only institution to offer order-driven trading in London are numbered. In January the London Stock Exchange published details of the rules covering its own order-driven trading, which is due to replace the market-making system on October 20.

"Tradepoint need to achieve critical mass as soon as possible," said one market practitioner. "People might well start saying that they won't bother getting Tradepoint because they will be getting the stock exchange system soon."

At Tradepoint Mr Stephen Wilson, an executive director, and Mr Michael Waller-Bridge, chief executive, two of the four founders of Tradepoint, are undaunted.

"We are pleased that the stock exchange has published what it is going to do," Mr Wilson says. "We are happy to be competing on a level playing field with them. The way they have designed their market may be problematical."

While users of the Tradepoint service are guaranteed anonymity, the stock exchange system will require some level of disclosure. And Mr Wilson says that the users will not benefit from having the London Clearing House as a central counterparty as happens with all Tradepoint trades, reducing risk. LCH settles trades using its direct access to the Crest and Talisman settlement systems.

Tradepoint argues that stock exchange order-driven launch could be a blessing in disguise, helping to move it into the mainstream.

Share dealing on Tradepoint is carried out automatically by a simple mouse-click in a Windows-based computer system. In the stock exchange dealing system prices are quoted on screen, but deals are struck after telephone negotiation.

In November Tradepoint, which is listed on Aim and the Vancouver Stock Exchange, announced a loss for the six months to September 30 of £2.8m.

Halifax set for bank conversion

By Christopher Brown-Humes

Halifax, the UK's biggest building society, is today expected to announce a resounding vote in favour of its £11bn conversion to a bank.

Endorsement of its plans would take more than 8m people a step nearer a windfall shares pay-out of about £1,300 each this summer.

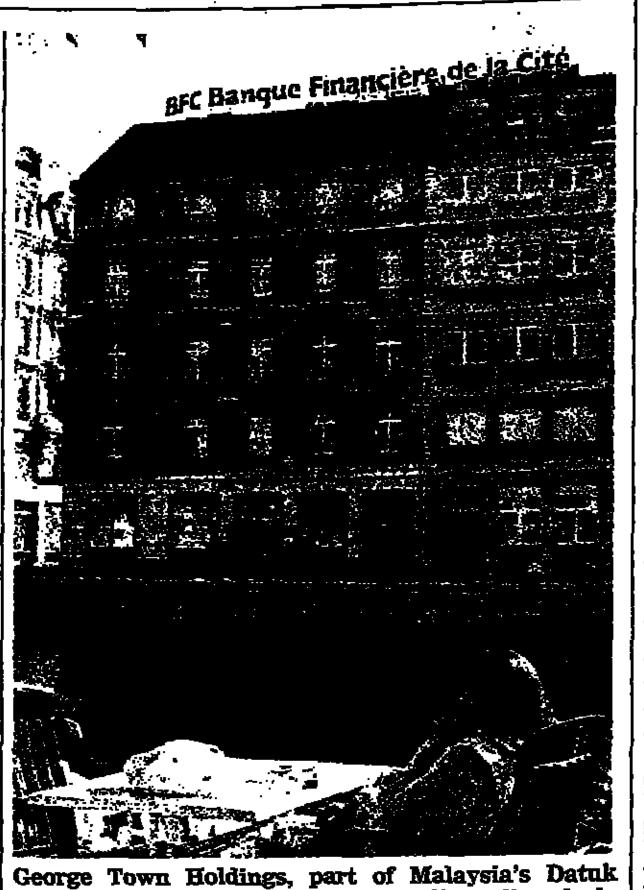
Most of the vote has already been received by post, but members have a chance to vote in person at a special meeting in Sheffield today when the outcome will be declared.

On the basis of advance votes at Woolwich and Alliance & Leicester, where plans to convert were overwhelmingly backed by members, Halifax can be confident of the result it wants.

The society has booked the 11,000-capacity Sheffield Arena for the meeting. However, many fewer than this are likely to attend.

The meeting may be overshadowed by a row over the society's treatment of elderly, sick and disabled voters who are set to lose bonuses because they are not the first-named account holders.

Halifax needs 3.35m of its 6.7m savers to back its plans; a simple majority of votes from among its 2m borrowers is required.



George Town Holdings, part of Malaysia's Datuk Keramat group, is to buy Banque Financière de la Cité of Geneva (above) and its associated bank in the Cayman Islands for $41m (£25.3m), writes George Graham. George Town, which owns a number of retailing operations in Malaysia, will be the first Malaysian group to enter the Swiss banking market. Its main international venture is the Millennium film studios at Leavesden in the UK, which it bought in 1995. BFC carries on the traditional Swiss businesses of asset management and private banking, but is also active in project finance.

Mr Tunku Abdullah Ibni Almarhum Tuanku Abdul Rahman, chairman of George Town, said the acquisition would enable Malaysians to take advantage of Switzerland's money markets but would also help introduce foreign investors to businesses and markets in Malaysia.

US tie-up by United Utilities

By Jane Martinson

United Utilities plans to link up with one of the US-owned regional electricity companies to compete when the domestic market in the UK is liberalised next year.

The multi-utility, formed after North West Water's £1.8bn takeover of Norweb in 1995, believes that a strategic alliance with another electricity supplier would provide a large enough customer base to enable it to compete nationally.

United has targeted US-owned groups which might be interested in allowing it to take control of the competitive side of the business. It hopes to capitalise on the uncertainty of some US groups about whether or not to compete in the domestic supply market.

Most of the US groups which have bought UK electricity companies have expressed an interest in becoming involved in the newly competitive market next April. However, along with many other suppliers, they have still to decide whether to compete or get out of supply altogether and concentrate on distribution.

Although six UK regional electricity companies have been taken over by US groups since privatisation, United is likely to tie up with one of those taken over before the end of last year. These include Seeboard, the south-east of England distributor controlled by Central and South West, the Texan utility, Midlands, bought by General Public Utilities and Cinergy and Sweb, which was taken over by Southern company.

Seeboard already has plans to supply gas as well as electricity nationwide.

A strategic alliance was first mooted by United last June. It was looking at tie-ups with power generators and gas producers.

Club Med turns its back on idealism of the past

With a new chief executive, the leisure group is seeking a tougher management approach

Club Méditerranée, the French leisure group, reached the end of an era over the weekend as it closed the final chapter on its idealistic origins and began preparing for a future of tougher professional management.

Its new chief executive, Mr Philippe Bourguignon, who starts work this week, faces a challenge not unlike that in his current job as chairman of Euro Disney, the theme park outside Paris. He must steer a valuable brand through financial difficulties, preserving its qualities while adapting them to a different era.

The holiday village operator unveiled 1995-96 losses last week of FFr743m (\$130.3m) after taking provisions of FFr820m to support a wide-ranging restructuring.

Mr Bourguignon takes over from Mr Serge Trigano, son of one of the founders of a business launched nearly 50 years ago, and which has become both a central part of French culture and one of the country's best-known and most widely copied exports.

For many, the image of "Club Med" is encapsulated in the 1970s Serge Gainsbourg song "Sea, Sex and Sun" and in the film *"Les Bronzés"* (the sun-tanned), a parody of the goings-on in one of its holiday villages, with sports by day and lechery by night.

At a time when France was dominated by rigid social norms, Club Med provided an attractive form of escapism with its informality – including compulsory use of first names and *tutoiement*, the familiar French "tu" form of address.

In a country not renowned for its emphasis on friendly customer service, its resorts established a reputation thanks to their pioneering emphasis on "gentils organisateurs" (GOs), the highly trained and plentiful staff present at all times to help their "gentils membres" (GMs), or guests, enjoy themselves.

Club Med's all-in holiday packages, which include limitless food and innumerable sporting activities provided at a single price, have been frequently copied by other tour operators.

Its superb locations often remain unrivalled, reflecting the fact that it was ahead of the wave in the development of tourist resorts, creating a village in Tahiti as early as 1955, for example.

In the 1960s and 1970s, it captured the spirit of the times with its communal life-style – including shared huts, group activities, and large dining tables designed to break down barriers.

Yet Mr Trigano bridles at suggestions that the very idea of "the Club" as a style of holiday has become outdated. "It is a modern concept, which has been refined over the years," he says.

While some critics argue that its holidays remain relatively expensive, and the client base restricted, Club Med has hosted 20m customers over the past 47 years, with the number in more than 114 villages growing to 1.4m in 1995-96 alone.

He points out that it continues to spawn imitators, all of whom spend time in its villages before launching their own competitive products.

Postcards home: Club Med brochures still feature spartan huts for adults only and traditional beach holidays – but it has adapted to suit its loyal clients as they grow older with more children's activities and short breaks for stressed Parisians

It has also evolved enormously. Bedrooms have been upgraded and now often contain telephones, the dining room hours have been extended, and tables for two are taking the place of those for eight.

Club Med has adapted to the changing needs of its often loyal clients as they grow older – the average age has increased to 37 – marry and have children. "Those who complain that the spirit of the Club has changed forget that since they were first there 25 years ago, they have less hair and beads and more children," says Mr Trigano.

When the Club was created by Mr Gérard Blitz in 1950, it was a non-profit making organisation which offered holidays in "tent villages" with equipment provide by Mr Trigano's father Gilbert, who ran a camping shop. By 1957, it had opened the first "snow village" in Switzerland, and by 1966 it was quoted on the Paris stock exchange. Profits peaked in 1989-90 at about FFr 400m.

In its latest glossy catalogue for this summer, it still offers holidays in spartan huts in Jerba in Tunisia reserved for those aged over 17. But there are also luxurious apartments in Bora Bora in Polynesia, and Internet sessions and massage for stressed Parisians on short breaks in its French resorts. More than 50 offer crèche facilities.

Club Med's internal management has arguably evolved rather less rapidly than its activities – and was reluctant to risk souring the informal corporate atmosphere by taking sufficiently tough decisions at a time of intensifying competition and difficult economic conditions.

The convivial Mr Trigano himself encapsulates the Club's founding spirit. He has spent much of his career in the business, and managed to succeed his father in 1993 as chairman even though he owns no shares (and his father just 0.8 per cent).

In a touching admission to journalists last Friday, he said: "Perhaps I was not quick enough to take the necessary measures. Perhaps we should have closed [loss-making] villages more quickly. Philippe Bourguignon will bring more rigorous management methods."

Andrew Jack

Worms agrees deal to absorb Saint Louis

By David Buchan in Paris

Worms, the French holding group, is to absorb Saint Louis, taking direct control of the latter's sugar and paper interests with the aim of getting better value for the shareholders of both companies.

Under a deal approved by the Worms and Saint Louis boards on Friday, shareholders will be offered four Worms shares for every Saint Louis share, giving shareholders of Saint Louis the lure of a 10 per cent premium to agree to the disappearance of their company.

The merger represents the desire of the two main shareholders of both Worms and Saint Louis, the Worms family and the Ifil holding company of the Italian Agnelli family, to get rid of Saint Louis as an unnecessary intermediary and make Worms a bigger, more open and liquid holding group.

The Worms group absorbed its own parent, Maison Worms & Cie, last year, and is in the process of abolishing special management and double voting rights.

The main casualty is Mr Daniel Melin, the chief executive of Saint Louis. He is to be replaced by Mr Jean-Philippe Thierry, a member of the Worms family and at present head of Worms' Athena insurance subsidiary. The latter will head Worms' new executive board, while Mr Nicholas Clive Worms will preside over a new supervisory board.

Hired from the Schneider group two years ago, Mr Melin has recentred Saint Louis' activities on paper through its 40 per cent stake in the Anglo-French company Arjo Wiggins Appleton, expanded its sugar business, and recently sold its frozen food division to Danone. Mr Melin's departure was not a reprimand, Worms executives said last night, simply a consequence of the reorganisation.

Saint Louis has been run by a shareholders' pact between Worms – with a 28 per cent stake – and Ifil – with 26.5 per cent – that is able to control more than 67 per cent of the voting rights. Partly because of this, and partly as a result of its unfashionable holding structure, Saint Louis's shares have traded at 15–20 per cent below net asset value over the past three years, analysts say.

Once Worms absorbs Saint Louis, this pact will be formally dissolved, the group said, creating "an open company in which no shareholder will have more than 25 per cent of voting rights". The deal will see the stakes of the Worms and Agnelli families in the merged holding company fall to 22.1 and 20 per cent, respectively.

BIL waits on Fairfax vote

By Nikki Tait in Sydney

Brierley Investments, the New Zealand-based company, will learn today whether it can lift its stake in John Fairfax, the Australian newspaper publisher, from 19.9 per cent to 24.96 per cent without making a full bid for the company.

The proposal was put to the publishing company's shareholders on Friday and voted down on a show of hands. Proxy votes ahead of the meeting were also narrowly against the proposal, by 149.2m to 136.2m. However, the matter then went to a formal poll, the result of which will not be announced until today.

BIL's move has been opposed by some of Australia's biggest institutional investors, unhappy with the terms of the deal and reluctant to waive the full bid requirement. Australian takeover rules normally require anyone buying more than 20 per cent of a company to make a full bid, but exemptions can be granted by other shareholders.

At yesterday's meeting, their views were echoed by small shareholders. "I can't see that it's going to be of benefit to the general body of shareholders," said one.

BIL is proposing to buy the shares from Mr Conrad Black's Telegraph group at A\$2.82 each, the same price at which it acquired its 19.9 per cent interest, also from Mr Black, last year.

However, the Fairfax share price has jumped in the meantime, largely on speculation that Mr Black's exit and imminent changes to Australia's media ownership rules could make it easier for Mr Kerry Packer's Publishing and Broadcasting group to mount a bid for Fairfax. Its shares closed on Friday at A\$3.14, one cent weaker on the day.

PBL, which holds a 14.9 per cent stake in Fairfax, is thought to have backed BIL's purchase of the additional shares.

Even if BIL loses, it will still be able to acquire the shares more slowly through the "creep" rule, which allows the purchase of an additional 3 per cent each month.

On Friday, Mr Rodney Price, a Brierley Investments director who was appointed to the Fairfax board in December, confirmed this was BIL's intention, although he declined to say whether there was a price beyond which BIL would not go.

Resignation jolts Esselte

By Hugh Carnegy in Stockholm

Shares in Esselte, a leading global supplier of office and labelling products, were jolted by a surprise announcement from Mr Bo Lundquist, chief executive, that he plans to quit the Swedish group.

Mr Lundquist, 55, has steered Esselte through a far-reaching restructuring over the past six years as it battled to keep pace with radical technological change in office and workplace practices. On Friday he said he felt it was time to hand over to someone else – although no replacement has yet been appointed.

The restructuring, focusing Esselte principally on labelling systems as well as stationery and office storage products, has borne fruit recently. Esselte reported pre-tax profits up 12 per cent to SKr667m ($90m) in 1996 on sales of SKr11.6bn.

Its shares have risen sharply in anticipation of renewed sales and earnings growth, climbing 70 per cent over the past year and some 25 per cent since the year-end. But the news of Mr Lundquist's departure worried investors, prompting the most-traded B share to fall more than 2 per cent on Friday to close down SKr4.50 at SKr186.50.

Colleagues said Mr Lundquist's decision, given to the board on Thursday, came without any prior warning.

"I took over the group when it was in a very difficult position," Mr Lundquist said. "We have now raised profitability to a good level. We have developed a strategy for the future that has substantial growth potential. I feel that the time is right for a new leader."

The Esselte board, clearly caught by surprise, said Mr Lundquist had agreed to stay on until a successor was found – a process expected to take several months.

Esselte ran into problems in the late 1980s as it diversified into areas such as pay-TV, partly because it feared the advent of desktop computers heralded the paperless office. As paper consumption instead grew with office automation, Esselte sharpened its labelling and office products side, selling its printing, publishing and entertainment businesses.

Today, its biggest division, accounting for 60 per cent of sales, is its office products unit.

But the fastest growing area is the labelling systems division, which includes tools for bar-coding, retail merchandise labelling and electronic article surveillance. The unit accounts for 30 per cent of sales, with the picture framing division making up 10 per cent.

Honda profit surges in third quarter

By Michiyo Nakamoto in Tokyo

Japanese motor vehicle manufacturer Honda said it nearly quadrupled pre-tax profits in the third quarter and was likely to exceed its forecast of record profits for the full year to March 30 as a result of strong sales of its recreational vehicles and a weak yen.

Pre-tax profits for the three months to end-December surged from Y25.9bn to Y96.8bn ($788m) – a record for Honda in any quarter. The company said continued cost-cutting measures also contributed to the increase.

The profits rise came on sales 31 per cent higher at Y1,333.9bn, compared with Y1,019.4bn. Net profits in the quarter more than tripled, from Y18.4bn to Y61.9bn

Honda expects sales in the last quarter to be equally buoyant, as consumers have been rushing to buy vehicles ahead of an increase in the consumption tax from April. As a result, it expects to exceed its forecast of record net profits of Y200bn for the full year.

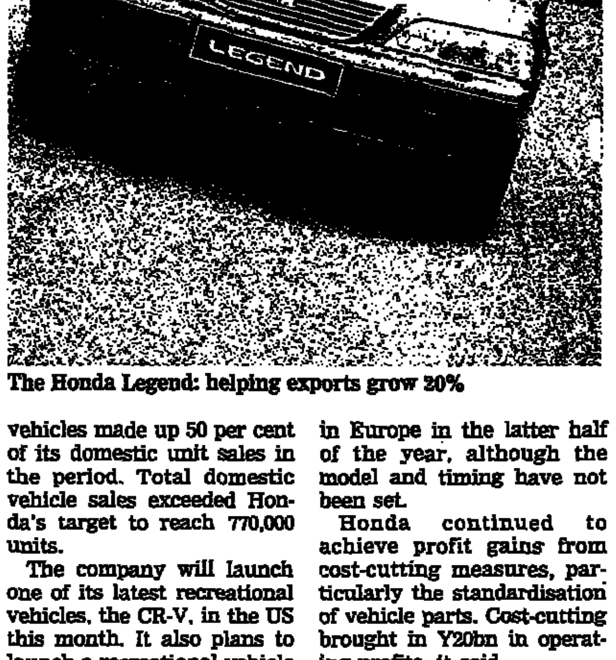
Like other Japanese motor vehicle makers, Honda has benefited from the weaker yen, which brought in extra operating profits of Y30bn in the period compared with a year earlier.

Exports also rose strongly, by 20 per cent, on the back of the weaker yen. In the US Honda saw firm demand for its Civic and Accord passenger cars as well as the newly remodelled luxury car, the Legend.

In the domestic market, Honda continued to enjoy buoyant demand for its recreational vehicles, such as the Odyssey and Step Wagon. Recreational vehicles made up 50 per cent of its domestic unit sales in the period. Total domestic vehicle sales exceeded Honda's target to reach 770,000 units.

The company will launch one of its latest recreational vehicles, the CR-V, in the US this month. It also plans to launch a recreational vehicle in Europe in the latter half of the year, although the model and timing have not been set.

Honda continued to achieve profit gains from cost-cutting measures, particularly the standardisation of vehicle parts. Cost-cutting brought in Y20bn in operating profits, it said.



The Honda Legend: helping exports grow 20%

Viasa clears the wreckage

The long process of untangling the wreckage of Viasa, the Venezuelan airline, will start this week.

The decision by shareholders to liquidate Viasa last week put a dramatic end to its prolonged nose-dive, leaving a shattered crew scrambling to reassemble broken pieces and pundits seeking culprits.

The liquidation agreement between Spanish airline Iberia and the state privatisation agency Fondo de Inversiones de Venezuela (FIV), averts bankruptcy and comes after weeks of mutual accusations.

Shareholders agreed to pay some $20m in redundancy costs, while Iberia will pardon $30m of Viasa's debt to reduce its total liabilities below the value of its assets.

The amicable liquidation must not exceed one year, yet the company's financial statements are inaccurate and its total liabilities still unknown. In addition, pending charges of fraud against Viasa's management could delay liquidation.

At the forefront of the accusations are Viasa's employees, who claim Iberia, itself strapped for cash, siphoned an estimated $30m a year from the airline.

Thousands of Viasa supporters protested in the streets of Caracas, chanting anti-Iberia slogans and calling on the president of the FIV, Mr Alberto Poletto, to step down. Mr William Bratcho, a pilot and labour representative on the board of directors, who claims to have been excluded intentionally from the latest shareholders meeting, says: "Behind all this is a great manoeuvre designed to once again benefit Iberia, which has been the cause of this entire disaster."

Employees are also expected to put up a fight over Viasa's domestic and international routes, with which they hope to establish a new airline under the same name. Bases on the contract Iberia signed in 1991, when it acquired its 45 per cent stake and took over Viasa's management, the Spanish airline has exclusive rights over the routes. It is said to have taken over some of Viasa's most profitable routes.

In response to the accusations, Viasa's management retorted that last year's losses of around $30m are due to unexpected fuel cost increases, a price war with other airlines, and industrial action by aircraft maintenance crew that caused 427 flights to be cancelled and 300 to be delayed.

The collapse of Viasa, which has not made a profit since Iberia took over, has provoked a heated debate in Venezuela over the virtues of privatisation and could influence the outcome of forthcoming sales in the aluminium and steel sectors.

"I think the Viasa experience prompts us to review if and how we want to sell off assets in strategic areas of the economy," said a congressman of the country's largest party, Acción Democrática.

Raymond Colitt

INTERNATIONAL NEWS DIGEST

Profits down 36% at Showa Shell

Showa Shell Sekiyu, the Japanese oil refiner and distributor one-third owned by Shell Petroleum, suffered a 36 per cent decline in pre-tax profits as the weaker yen exacerbated the impact of higher crude oil prices. Japan's fifth-largest oil company reported parent pre-tax profits of Y12.18bn ($99m) for 1996, compared with Y19.09bn a year earlier. It said operating profits, which fell 44 per cent to Y12.37bn despite a 10 per cent increase in sales to Y1,492bn, had suffered from higher crude oil prices and the depreciation of the yen.

Analysts said Showa Shell is limited in its ability to pass on such price increases. Although it can raise charges to its dealers, the strictly-regulated dealers themselves are unable to raise prices at the petrol pump, and margins have been severely squeezed as a result. Showa Shell is estimated to have spent some Y10bn under the so-called "post-shipment price adjustment system" of rebates to dealers to ease their financial hardship.

Net profit dropped 51.8 per cent to Y4.8bn. The company reported a greatly reduced non-operating loss of Y200m from Y3bn in 1995 as a result of lower interest payments. An extraordinary loss of Y1bn was due to restructuring costs and the closure of a number of petrol stations owned by Showa Shell and leased to dealers.

Full-year results were in line with the company's forecast, which had been revised downwards in the light of exchange rate and crude oil price movements. For the current year, pre-tax profits are forecast to reach Y20bn on sales of Y1,570bn. Ms Keiko Sasaki, oil sector analyst at ING Barings, dismissed the forecast as unrealistic, on the grounds that Japanese petrol prices are unlikely to rise further because they are still too high by international standards, and post-shipment price adjustments are likely to continue at the same level.

Jonathan Annells, Tokyo

Big provisions at Greek bank

National Bank of Greece, the country's largest banking group, has announced that all its 1996 profits, amounting to Dr61.4bn ($233m) before tax, would be used as provisions against non-performing loans. Mr Theodoros Karatzas, chairman, said shareholders would be compensated for missing the dividend by a one-for-10 issue of free shares, to be covered by a revaluation of fixed assets. He said passing the dividend "is a radical decision indicating our determination to carry out a full cleansing of the loan portfolio".

National Bank, one of three state banks which together control some 70 per cent of the Greek market, was burdened with large amounts of bad debt resulting from lending on political grounds. Successive governments forced the state banks to continue lending to collapsing Greek industrial companies for the sake of preserving jobs. The bank's share price jumped 3 per cent on Friday to Dr26,600, reflecting higher than expected profits, analysts said.

Kerin Hope, Athens

German setback for Atag

Atag, the Dutch maker of home products and bicycles, suffered a 37 per cent fall in net profits last year to Fl 16.5m ($8.7m) as both divisions suffered setbacks in Germany, where the company has been expanding. Its shares fell Fl 5.40 to Fl 98.60 on Friday as Atag said these uncertainties meant it was "still too early to express well-founded expectations for 1997".

Sales rose 23 per cent to Fl 985m, largely because of acquisitions in Germany. But the market there for its kitchen appliances and central heating boilers was described as "difficult, causing not only a general decline in volume but also pressure on prices and margins." The German cycle market, where Atag recently bought the Hercules brand, also fell 12 per cent. But operating profits from cycles rose nearly 17 per cent to Fl 17.5m as the Dutch and French markets performed well.

Gordon Cramb, Amsterdam

Israeli bank shelves offer

Israel Discount Bank, Israel's third largest bank, yesterday postponed a secondary offering of 17 per cent of its equity which was to be the government's first privatisation move this year. The government planned to raise at least Shk600m ($179m) this month by selling IDB shares and warrants.

The bank expects an increase in doubtful debt provisions in the fourth quarter of 1996, and authorities requested it disclose the figures in the prospectus. The bank said yesterday it would not be able to disclose the figures by the end of February, the deadline for issuing a prospectus based on results for the first three quarters of last year. IDB said it will issue a prospectus based on 1996 annual reports in the second quarter of 1997.

Avi Machlis, Jerusalem

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / Peter Martin

Changing rules of competition

A couple of weeks ago, this column argued that many international companies had to some extent broken free from their domestic origins, and were no longer plays on local markets and currencies.

But that is, of course, only part of the story. Not all big companies are as heavily diversified in terms of markets and production as the Swiss examples cited. And many substantial second-tier companies are attractive to investors precisely because they offer exposure to a domestic market and set of competitive advantages. Without access to such stocks, the principle of diversifying your portfolio across borders would make much less sense.

Exposure to domestic markets is an easy concept: put crudely, investors choose companies that will benefit from areas of growth in the fastest growing economies. Thus, if consumer spending is the most important contributor to growth in Ruritania, and the economy as a whole is expanding rapidly, stocks with high exposure to Ruritanian consumer demand – retailers, say, – are attractive.

Exposure to a country's competitive advantages is a more controversial concept. Even if you believe in national competitiveness, translating it into useful investment decisions is extremely difficult. Yet in rising global competition, it may be unavoidable. The ability to export to faster-growing regions is an increasingly important determinant of profitability. Yet, as the chart implies, countries vary widely in their ability to compete for the most rapidly expanding markets. And even where individual companies are not themselves big exporters, their ability to compete for domestic market share will increasingly depend on their ability to fight off rivals from abroad.

So picking competitive countries may be a useful way of unearthing competitive companies. A recent paper by George Magnus and Paul Donovan of UBS* argues that "the most competitive countries in the future need not be only the fastest growing economies in Asia and Latin America. They may indeed be particular countries in the mature, industrial group" – including "those countries fashionably written off as dinosaurs or in decay (namely the US, Japan and even Germany or the UK)".

This argument draws on the work of Professor Paul Romer, an economist at Stanford University, who argues that today's knowledge-based economy differs in important ways from preceding eras. "Ideas are the recipes we use to rearrange things to create more value and wealth," he says in a recent interview**. "The physical world is characterised by diminishing returns. [But] ideas are not scarce, and the process of discovery in the realm of ideas does not suffer from diminishing returns."

Indeed, the idea-based economy produces increasing return to scale, says Prof Romer. Software and other knowledge products have high up-front costs but very low marginal costs of production. Once a company has been successful with a product of this sort, it is very hard for rivals to enter – leading to a high degree of monopoly power.

The investment implication of this approach is that individual companies will be successful to the extent that they are able to market idea-based products and services. Countries that harbour a disproportionate share of successful companies will be those that make it easy for them to operate in the realm of ideas. That implies a strong commitment to market-oriented education, an openness to the import of ideas and skilled people, and a willingness to encourage the rapid creation and destruction of knowledge-based companies. In short, they will look a lot like the west coast of the US.

The Wall Street share price surge is undoubtedly based in part on this sort of thinking. Perhaps, as in all great market moves, there is an element of wishful thinking in this. Not every start-up software company is a Netscape; and not every Netscape is a Microsoft.

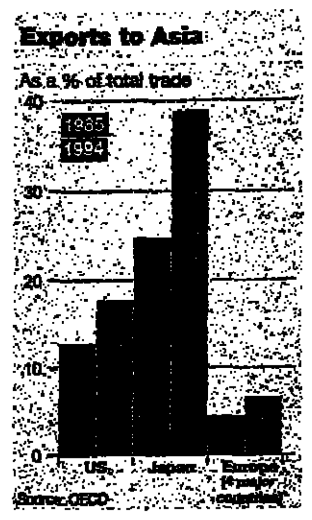
But powerful market movements also usually reflect an underlying truth. Investors looking for successful countries and companies could do worse than look for those which best capture this truth: the sources of competitive advantage have changed. Historically similar economies will have widely divergent patterns of success or failure, depending on the extent to which they respond to this challenge. Using nationality as a basis for asset-allocation is still a valid approach – but it must reflect this new reality.

*Global Economic Themes: Competitiveness. UBS Global Research, London, February 1997. Tel: +44 171-901-3333

** Strategy and Business, First Quarter 1997, Booz-Allen & Hamilton, New York. Tel: +1 908-417-2205

Exports to Asia

As a % of total trade



Source: OECD

Total return in local currency to 20/02/97

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.10	0.01	0.06	0.06	0.14	0.12
Month	0.45	0.04	0.26	0.28	0.62	0.52
Year	5.03	0.97	3.50	4.69	10.13	6.15
Bonds 3-5 year						
Week	0.03	−0.10	0.01	−0.05	−0.21	0.26
Month	1.04	−0.01	0.66	0.34	−0.81	1.51
Year	4.40	6.27	9.19	11.22	20.70	8.71
Bonds 7-10 year						
Week	−0.11	−0.44	0.39	0.41	−0.14	0.28
Month	1.35	−0.17	2.20	1.86	−0.69	2.38
Year	4.13	9.59	13.59	16.82	32.36	12.28
Equities						
Week	−1.0	2.1	−1.0	−1.8	−2.0	0.7
Month	+3.2	4.8	5.4	6.9	0.5	3.7
Year	+27.5	−9.6	34.1	38.1	35.1	21.0

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/Extel Index Unit. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co. and Standard & Poor's.

COMPANY RESULTS DUE

ABN Amro likely to come in at Fl 3.3bn

Dutch bank ABN Amro is expected on Thursday to report net profits for 1996 of Fl 3.25bn–Fl 3.39bn, up from Fl 2.62bn ($3.24bn) in 1995, according to analysts' forecasts. Earnings per share after the deduction of preferential dividends are seen up at Fl 9.16–9.50 from Fl 7.69 a year earlier, and the bank is expected to raise its ordinary dividend to Fl 4.12–Fl 4.50 from Fl 3.60 in 1995.

■ Bridgestone Corp, the Japanese tyre group is expected to report 1996 pretax profits of Y135bn –Y148bn ($1bn) on Thursday, well ahead of the company's own forecast of Y130bn and of last year's Y98.2bn, analysts said.

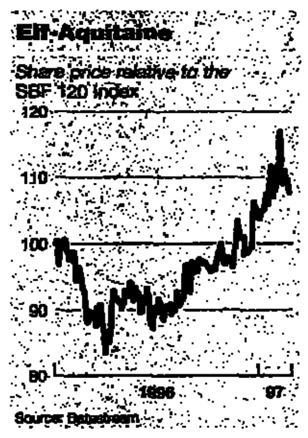
Analysts forecast 1996 revenue at Y18.7bn–Y19.0bn, compared with a company forecast of Y18.5bn and 1995 sales of Y16.9bn. The upturn will reflect the expected sharp rise in parent earnings during the year on the back of strong domestic demand, they say.

■ Elf Aquitaine, the French oil group, is expected on Wednesday to report 1996 net profits of FFr7.2bn-FFr7.5bn, up from FFr5.04bn ($880m) in 1995, according to analysts. The company has already said it expects net profit excluding special items to be FFr7.3bn-FFr7.5bn, up from FFr5.33bn in 1995. Analysts are expecting few special items. Elf may also give a figure for adjusted net profit – before specials and other non-recurring items – and this will also be closely watched by oil analysts, who expect the figure to be between FFr7.68bn and FFr8bn compared with FFr5.77bn a year earlier. The main difference between the adjusted and reported net profit figures is likely to be a writedown of the value of reserves at Lille Frigg, off Norway.

■ National Westminster Bank's first-half results, due tomorrow, were weighed down by a net almost £700m ($1.1bn) of non-recurring writedowns, a loss on the sale of Bancorp in the US and related tax charges. That will lead to full-year profits more than a third lower than 1995's £1.75bn. Second-half earnings, however, should give a better idea of the potential of NatWest's radically changed line-up of businesses. Investment banking should prove less of a disappointment than at rival Barclays, and the group will also record its first full half of earnings from the Gartmore fund management group.

Elf-Aquitaine

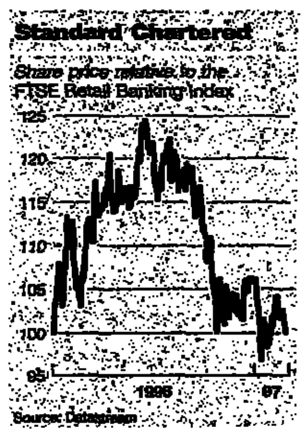
Share price relative to the SBF 120 index



Source: Datastream

Standard Chartered

Share price relative to the FTSE Retail Banking index



Source: Datastream

■ The strong pound is expected to cast a cloud over third quarter figures from EMI Group, one of the world's largest record companies. Ms Lorna Tilbian, media analyst at Panmure Gordon, expects EMI to announce tomorrow profits before tax and exceptional items of £240m for the three months to December 31, a slight decline on an estimated £24.8m for the same period the previous year (before the demerger of the old Thorn EMI group).

■ End year results for Commercial Union and Guardian Royal Exchange, the UK composite insurers, are likely to reflect in part the downturn in the UK insurance market last year. The companies are, however, likely to point to signs that the worst of the competition may be over. Guardian's operating profits are forecast at £247m-£280m (£340m) and the total dividend 9.8p-10p (9p) when the company reports tomorrow.

For Commercial Union, which is expected on Wednesday to report operating profits excluding investment gains of £415m-£453m (£509m) and a total dividend of 30.25p-30.5p (28.25p), the strength of sterling is thought to have impacted on profits.

■ After a 30 per cent rise in pre-tax profits in 1995, Standard Chartered, the UK bank, is expected to have produced a similar increase in 1996 to around £860m when it reports on Wednesday. Since much of Standard Chartered's income is earned in currencies tied to the dollar, the current strength of the pound may weaken earnings prospects.

■ Analysts expect British Aerospace on Wednesday to announce full year results for 1996 with pre-tax, pre-exceptional profits of £440m, against £354m for the comparable figure in the previous year.

■ Abbey National, the UK's fifth largest bank, is expected to announce 1996 profits of about £1.17bn, against £1.03bn in 1995, when it reports its figures on Thursday.

■ Estimates of adjusted earnings after tax to be reported on Thursday by RTZ-CRA, the world's biggest mining company, range from $1.061bn to $1.137bn (£690m). The average of the forecasts is close to the bottom end of that range at $1.09bn and well below the $1.441bn adjusted earnings the group reported for 1995. Shareholders will be keen to hear if the problems that have delayed full production at the $1bn US copper smelter-refinery complex for a year are soon to be resolved. These difficulties cost $100m in the first half.

■ Lasmo, the UK's second largest independent oil explorer, is expected to unveil a 1996 net income after exceptionals of about £67m on Thursday. The figure, up from £34m in 1995 includes an exceptional gain of between £20m-£23m.

INTERNATIONAL EQUITIES Edward Luce and Richard Lapper

Keen fees in emerging markets

Controversy over a Mexican privatisation mandate is the latest evidence of the competitive pressures in the primary equity markets, especially in Latin America and eastern Europe.

SBC Warburg agreed to advise the Mexican government on the sale of the country's airports for a fee a fifth of the size of what rivals banks had sought, in a deal which it hopes will help it generate more lucrative contracts in future.

Earlier this month SBC Warburg and JP Morgan set new lows by accepting a fee of 1.5 per cent to manage the IPO of Unibanco in Brazil. This compares to fees of 2.5 to 6 per cent to lead-manage privatisations in developed countries.

"Margins have fallen the most and with greater speed in Latin America but the real distinction is between emerging markets and developed markets," said Mr Lucas Wilson, director of equity capital markets at SBC Warburg in London.

Other recent deals, in Brazil, include Bear Stearns' mandate for the privatisation of Usiminas, the steelmaker, with fees of just 2.25 per cent; Merrill Lynch's 1.9 per cent to lead-manage the IPO of CVRD, the mining company; and Light, the electrical utility where Goldman Sachs bid 2.1 per cent.

Eastern Europe, where UBS and BZW offered fees of 2.25 per cent last November to win the privatisation of KGMH, the Polish copper company, has also been affected by the competition.

"Emerging markets are particularly sensitive to questions of transparency and probity," said Mr James Sassoon, managing director of corporate finance at SBC Warburg in London. "It is therefore not surprising that governments shy away from the subjective approach involved in assessing credentials and focus more on price, fees and costs."

Governments in emerging markets are frequently more subject to nationalist political pressures than their counterparts in the developed world, and are often constrained by rules governing World Bank funding for privatisations. Under World Bank tender rules, bidders must pass a technical threshold after which the submissions are judged on price alone. Critics say this encourages banks to focus on fees at the expense of broader issues of quality.

"Most deals in Latin America are under the aegis of one or other of the multilateral lending agencies," said a syndicate official. "If you win an advisory contract this dramatically improves your chances of winning an IPO distribution contract so the competition is extending to 'success fees' as well."

Syndicate managers at the big 15 to 20 banks competing for privatisation and equity contracts around the world are divided on whether the trend will spill over into the US and western Europe. Although the banking syndicate which underwrote the Deutsche Telekom IPO last November took a fee of just 2.8 per cent, officials say margins in Europe are unlikely to fall below 2 per cent. Syndicate officials stress that in developed markets governments and business are more willing to pay more to achieve effective distribution of shares.

Even in the US, where banks regularly command fees of up to 6 per cent, the scope for competition on margins is limited. Most believe that margins will inevitably tighten as the larger European banks attempt to break into the US market. But the process will be slower than many expect.

"There is a lot of scope for squeezing margins in the US but the barriers to entry are very high," said a European banker in London. "The domination of the bulge bracket is assured for some time yet."

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY FEBRUARY 21 1997 US Dollar Index	%chg since 31/12/96	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/96	Gross Div. Yield	THURSDAY FEBRUARY 20 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	222.05	0.1	203.32	172.38	194.30	189.80	2.1	4.01	220.09	202.50	171.22	193.32	189.92	224.61	189.44	192.33
Austria (24)	183.27	−3.5	167.81	142.27	160.37	160.30	5.5	1.82	183.12	168.49	142.46	160.85	160.80	195.04	174.70	185.17
Belgium (26)	230.87	1.4	211.39	179.22	202.02	197.79	10.9	3.26	230.53	212.10	179.34	202.49	198.43	233.47	203.64	205.55
Brazil (28)	232.08	22.4	212.51	180.17	203.08	448.77	23.7	1.36	232.88	214.27	181.17	204.56	450.13	239.27	147.48	161.76
Canada (114)	200.85	5.8	183.90	155.92	175.74	198.07	5.1	1.86	200.59	184.56	156.06	176.20	197.37	203.24	158.61	153.95
Denmark (32)	374.94	6.5	343.31	291.07	328.08	327.66	16.0	1.34	376.09	346.03	292.59	330.35	329.80	376.09	291.30	299.00
Finland (28)	258.16	5.1	236.39	200.41	225.90	272.89	14.8	1.88	260.62	239.79	202.75	228.93	276.05	262.79	174.47	181.65
France (91)	216.50	1.1	198.24	168.07	189.44	193.02	10.6	2.54	216.48	199.18	168.42	190.16	193.81	222.08	183.87	184.59
Germany (59)	192.01	1.1	175.81	149.06	168.01	168.01	10.4	1.51	191.91	176.58	149.30	168.58	168.58	196.14	164.47	169.78
Hong Kong (59)	492.03	−3.0	450.53	381.96	430.54	489.13	−2.9	3.18	491.46	452.19	382.34	431.70	488.40	514.48	402.53	451.18
Indonesia (27)	245.02	7.4	224.35	190.21	214.40	358.95	8.5	1.48	246.38	226.69	191.67	216.42	360.93	–	–	–
Ireland (16)	337.13	2.5	308.69	261.71	295.00	301.36	10.1	3.12	335.85	309.02	261.28	295.01	301.36	340.20	254.35	254.35
Italy (58)	90.73	8.7	83.07	70.43	79.39	112.69	18.9	1.86	90.16	82.96	70.14	79.20	112.65	96.32	70.61	73.18
Japan (480)	118.45	−8.2	108.46	91.95	103.64	91.95	−2.9	0.85	116.98	107.63	91.01	102.76	91.01	164.68	109.16	150.98
Malaysia (107)	655.64	8.7	600.33	508.97	573.70	625.72	6.7	1.00	655.38	603.01	509.87	575.69	627.36	655.64	512.47	525.72
Mexico (27)	1424.27	16.6	1304.12	1105.66	1246.27	12082.50	15.1	0.91	1409.95	1297.28	1096.90	1238.60	11947.89	1424.27	1046.55	1116.24
Netherland (19)	343.50	2.2	314.52	266.66	300.57	296.53	11.7	2.54	345.04	317.47	268.43	303.08	298.82	347.06	274.35	278.35
New Zealand (14)	87.84	−4.3	80.43	68.19	76.87	67.14	−2.6	4.21	89.05	81.94	69.28	78.22	68.12	95.60	76.94	79.11
Norway (41)	321.23	8.7	294.13	249.37	281.08	292.87	14.3	1.97	319.91	294.34	248.88	281.00	294.88	321.23	234.87	298.67
Philippines (22)	204.91	0.6	187.62	159.07	179.30	269.00	0.8	0.64	204.75	188.38	159.29	179.85	268.78	–	–	–
Singapore (43)	437.37	4.2	400.48	339.53	382.71	267.01	6.0	0.96	441.04	405.79	343.11	387.41	269.66	458.66	371.28	458.66
South Africa (44)	361.62	13.6	331.11	280.72	316.42	354.29	8.8	2.34	360.04	331.27	280.10	316.26	352.55	402.68	301.49	376.65
Spain (35)	211.60	−3.7	193.75	164.26	185.15	228.80	5.6	2.75	213.31	196.26	165.95	187.37	231.27	228.16	161.86	174.04
Sweden (50)	434.01	2.9	397.40	336.92	379.77	475.10	11.4	2.12	432.42	397.87	336.41	379.84	475.14	434.51	321.45	321.45
Switzerland (36)	250.94	5.2	229.78	194.81	219.58	226.09	14.8	1.28	248.65	228.78	193.44	218.42	228.46	254.34	226.88	226.88
Thailand (45)	86.40	−9.8	79.11	67.07	75.60	86.88	−8.8	3.92	86.36	79.46	67.19	75.86	86.96	188.57	75.48	188.57
United Kingdom (211)	281.09	−0.8	257.32	218.16	245.91	257.32	4.9	3.73	280.78	258.34	218.44	246.63	258.34	283.17	224.39	232.29
USA (654)	325.66	7.9	298.19	252.81	284.96	325.66	7.9	1.84	326.34	300.27	253.89	286.66	326.34	331.54	254.79	264.41
Americas (823)	298.29	8.0	273.12	231.56	261.01	250.92	8.0	1.82	298.84	274.96	232.49	262.50	251.36	303.45	233.09	241.13
Europe (725)	242.74	1.3	222.26	188.44	212.40	223.38	9.2	2.68	242.48	223.10	188.64	213.00	224.25	244.53	201.68	203.25
Nordic (151)	378.66	4.4	346.71	293.95	331.33	360.07	12.9	1.95	378.35	348.11	294.34	332.34	361.32	378.66	282.25	282.25
Pacific Basin (873)	139.78	−6.0	127.99	108.51	122.31	107.43	−1.9	1.35	138.46	127.39	107.72	121.62	106.67	177.01	131.50	164.50
Euro-Pacific (1598)	182.66	−2.1	167.25	141.80	159.83	151.23	4.0	2.08	181.79	167.26	141.43	159.68	151.06	191.51	176.40	180.54
North America (768)	318.12	7.8	291.28	246.95	278.36	317.25	7.8	1.84	318.73	293.26	247.97	279.98	317.83	323.69	248.65	257.60
Europe Ex. UK (514)	216.94	2.5	198.64	168.41	189.83	200.51	11.9	2.04	216.69	199.38	168.58	190.34	201.29	219.12	183.01	183.01
Pacific Ex. Japan (393)	317.77	0.8	290.96	246.68	278.05	275.43	1.2	2.70	317.30	291.94	246.85	278.71	275.85	320.65	269.97	289.85
World Ex. US (1811)	186.51	−1.1	170.79	144.79	163.20	157.44	4.4	2.05	185.66	170.82	144.43	163.08	157.25	193.47	177.71	191.78
World Ex. UK (2254)	226.05	3.3	206.98	175.48	197.80	200.54	6.1	1.76	225.71	207.67	175.60	198.26	200.53	226.57	186.68	204.85
World Ex. Japan (1985)	288.24	5.3	263.92	223.76	252.21	277.65	7.9	2.16	288.41	265.37	224.38	253.34	278.30	290.85	233.10	238.46
The World Index (2465)	230.76	2.9	211.29	179.14	201.92	205.75	6.0	1.85	230.43	212.02	179.27	202.41	205.82	230.97	202.32	207.29

MARKETS: This Week

NEW YORK By Richard Waters

With Mr Alan Greenspan due to take centre-stage this week as he delivers his latest Humphrey-Hawkins testimony to Congress, the US Treasury market's cautious mood looks set to continue. Meanwhile, the stock market, fresh from record highs, may well take a pause amid signs of profit-taking in some sectors.

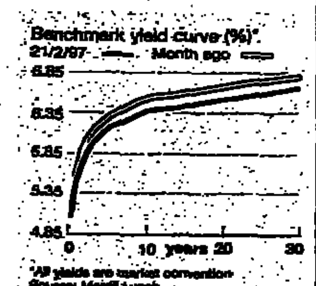
The Federal Reserve's chairman will appear before the Senate and House banking committees on Wednesday and Thursday to provide his semi-annual commentary on the state of the US economy. He is widely expected to attest that inflation, for now, remains under control – as evidenced by last week's low consumer price report for January.

However, Mr Greenspan is also expected to warn about the effects that the country's tight labour market may have on prices in the future, and make clear that the Fed is poised to raise interest rates if necessary.

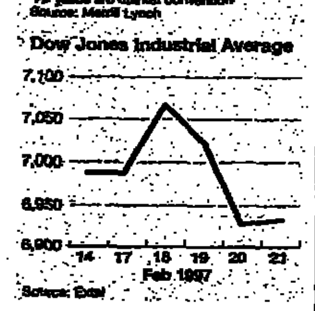
The bond markets are already looking nervously ahead to the next monthly employment report, due on March 7. A further dampener on prices will be this week's two-year and five-year note auctions on Tuesday and Wednesday. The risk of bidding for these securities just before Greenspan testifies may well hamper demand.

The stock market regained its poise on Friday after a sharp sell-off. But the correction continued among technology stocks, which have provided much of the leadership that has driven the market higher.

With stocks like Intel and IBM running out of steam, the market may pause as investors search for a new sector to take up the running.



*All yields are market convention
Source: Merrill Lynch



Source: Extel

LONDON By Philip Coggan

The corporate results season gets into full swing this week and investors will be looking to see how the strength of sterling has affected the numbers and what managements are saying about the outlook for 1997.

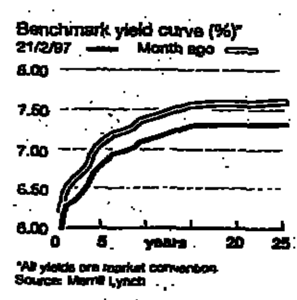
Analysts have been shading down their earnings expectations by 3 to 4 per cent in the wake of the pound's rise, which at one point took sterling to its highest level since it left the Exchange Rate Mechanism in September 1992.

The pound's strength has also been causing some forecasters to reduce their economic growth forecasts for 1997, and has been used by Mr Kenneth Clarke, the chancellor, as a key argument for fending off the rate rise arguments of Mr Eddie George, governor of the Bank of England.

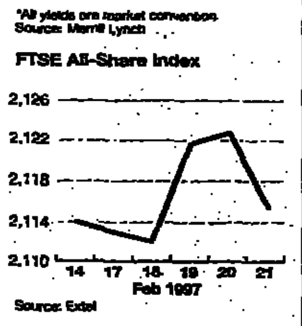
Among the big companies reporting this week are Abbey National, British Aerospace, BG, Commercial Union, EMI, Hanson, Lasmo, NatWest Bank and Thorn.

With little in the way of economic news, the other UK focus of the week will be politics. On Thursday, the voters of Wirral South have the chance to turn the Conservatives into a minority government once more. However, even if they lose the by-election, most commentators expect the government to survive until May 1.

Internationally, the words of Mr Alan Greenspan, the Federal Reserve chairman, will be examined when he gives his Humphrey-Hawkins testimony to Congress. Investors will be looking to see if he suggests the Fed will increase US rates in March, or refers again to "irrational exuberance" in financial markets.



*All yields are market convention
Source: Merrill Lynch



Source: Extel

FRANKFURT By Andrew Fisher

The German stock market took a breather last week, but hopes are generally high that the advance which continued from last year into the early weeks of 1997 will be resumed.

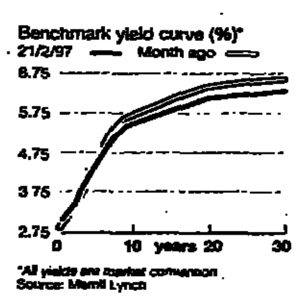
Deutsche Morgan Grenfell expects the DAX blue chip index, which closed below 3,200 on Friday, to move up to around 3,300 soon, helped by the stronger dollar, anticipation of government tax reforms, and positive corporate earnings reports.

The bank expects foreign investors to continue buying German equities in the first half of this year, having switched from selling in the second half of 1996. However, domestic institutions have not altered the cash and bond weightings in their portfolios recently and cash holdings remain fairly high, it added.

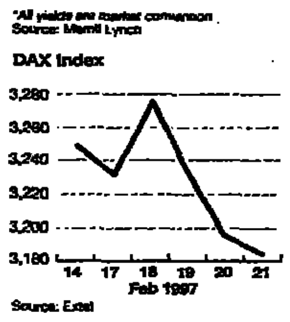
With shareholder value still catching companies' imaginations, Deutsche Morgan Grenfell expected "a spate of acquisition and divestment activity" which would also be driven by globalisation of markets and European integration. Thus it foresaw more takeovers, hostile as well as friendly, and sales by German banks and insurance companies of their industrial holdings.

On the economic front, hopes of recovery are picking up. A better than expected January business sentiment index from Ifo encouraged these in a week when the Bundesbank made clear it was against further interest rate cuts.

Mr Eckhard Schulte at IBJ Research said there was "still a good chance of a sustainable upswing" from the second quarter. Consumer confidence was improving and long-term borrowing (a guide to business investment) remained high.



*All yields are market convention
Source: Merrill Lynch



Source: Extel

TOKYO By Jonathan Annells

Investor expectations have been raised that an end to the asset price deflation and the financial sector's bad debt problems might be in sight. A report last Thursday in the Nihon Keizai Shimbun said the government was considering spending public money to buy collateralised land, and will ease regulations to permit the securitisation of real estate.

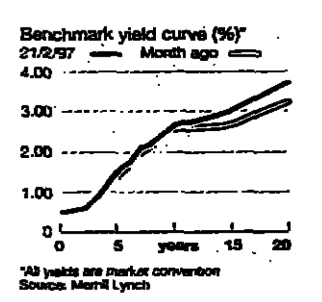
In fact, there is nothing new in substance in the report, since the government has spent Y6,300bn on average over the past three years buying property that almost no-one wanted, but the restatement of the policy as a priority gave the stock market a shot in the arm.

Mr Michael Hartnett, economist at Merrill Lynch in Tokyo, said the equity, bond and currency markets had all been hostage to developments in the banking system since last November, and would continue to be so.

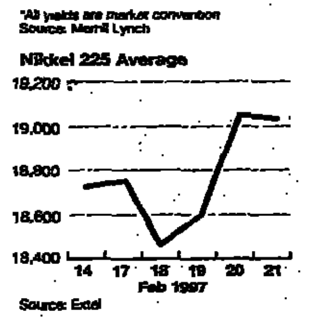
If the government fails to follow up the rhetoric with a solution to alleviate the banking crisis, the equity market could collapse, although domestic investors are likely to support it until the fiscal year-end.

Yet conversely, the government's credibility on the issue is so low that if it does present a convincing policy, "the equity market's response will be dramatically positive and the reaction from the bond market dramatically negative," Mr Hartnett said.

Economists forecast January's industrial production figures, due on Thursday, will show a 4.4 per cent increase month-on-month, but this could still disappoint because industrial production is expected to be stronger in response to improved export prospects deriving from a weaker yen.



*All yields are market convention
Source: Merrill Lynch



Source: Extel

COMMODITIES By Susanna Voyle

Gold lured out of the shadows

London bullion dealers, buoyed by gold's rally at the end of last week, will today be waiting to see if the "bulls" have a firm grip on the market. Light will be shed on the subject on Wednesday when the World Gold Council presents its analysis of global demand trends over the last year.

The council, a promotional organisation financed by gold producers, tracks demand trends in countries that account for 75 to 80 per cent of total gold demand.

At a presentation in London it will review developments during the fourth quarter of last year and provide an over-view of 1996.

The market was lifted last week by investment fund buying after fears of more sales by central banks started to fade. It had remained wary since January, when the Dutch central bank announced that it had sold 300 tonnes of gold from its reserves. Analysts have been worried that other European governments might deluge the market to raise money to help them meet the criteria for European monetary union.

Gold was "fixed" at $353.30 a troy ounce on Friday afternoon in London – an increase of $8.30 from Thursday afternoon's fix.

Analysts say gold has been lagging behind the other precious metals recently.

"What has excited investors ... has been the fact that gold has been lured out of the shadows," said Mr Nick Moore of Flemings Research. "While it would be nice to give all the credit to gold, I can't help thinking that much of the rise has to do with catching up with silver and platinum."

In New York on Friday gold prices increased for the eighth day in a row. "Gold recently reached lows that were unsustainable given industry fundamentals and it proved a 'bear' trap," said Mr Dinsa Mehta of Chase Manhattan New York.

"But this rally is impressive, not just because gold has recovered $18.00 an ounce, from three-year lows, but because behind it is very good physical demand."

OTHER MARKETS Compiled by Jeffrey Brown

Ahead of this week's Humphrey Hawkins Testimony by Mr Alan Greenspan, chairman of the Federal Reserve, most leading European bourses traded nervously on Friday.

PARIS

Results from a handful of leading companies could be the make or break factor for the Paris bourse this week.

The CAC 40 futures contract expires on Friday, so trading over the next few days could be more than usually distorted by technical pressures as traders jockey their arbitrage positions. But this distraction aside, the main influence is likely to be earnings trends.

Six component companies within the CAC 40 are due to produce profit figures, three of which are seen as highly-rated "superstars". Analysts await their numbers with confidence but as always on these occasions there is some trepidation too.

"A big corporate upset is the last thing the market wants at the moment," said one broker on Friday.

Ahead by some 12 per cent this year, Paris fell back from all-time peaks last week, but remains on one of the most demanding ratings in Europe. Its 1996 market price-earnings ratio is within a whisker of 25, and is clearly banking on strong earnings growth. This week should see that expectation underpinned.

The "hot" three corporates are car components group Valeo; supermarket leader Carrefour; and oil giant Elf Aquitaine.

The former weighs in on Tuesday and anything less than FFr1.2bn of net earnings for 1996 (against FFr1.01bn last time) will disappoint. Similar earnings growth is expected on Wednesday from Carrefour.

At Elf, an upturn closer to 45 per cent for six months is predicted by brokers, as upstream operations perform strongly and the group's reorganisation starts to show through. Elf reports on Wednesday

AMSTERDAM

Dutch shares were the flag-bearer among leading bourses last week, moving higher while other fell back. An options market made buoyant by last Friday's expiries provided some of the upward drive, but the main reason was an outbreak of publishing and media takeover speculation.

Elsevier, Wolters Kluwer and VNU were all active and provided a number of very sharp share price movements. Price swings stayed with the sector on Friday amid speculation that a merger between Reed-Elsevier and Reuters, although a long-shot, would make strategic sense.

The chemical sector is a feature of this week's results list. DSM reports tomorrow and Akzo Nobel on Thursday. ABN Amro also puts out an earnings statement on Thursday.

HONG KONG

Brokers expect volatility to descend on the Hong Kong stock market this week, following the death of China's paramount leader Deng Xiaoping last Wednesday night.

Deng's death, long the subject of speculation, perversely chased share prices higher on Thursday and Friday, but analysts warn that a spate of profit-taking could settle in now. The benchmark Hang Seng Index closed on Friday at 13,444 after a see-saw performance.

The expiry of the February futures contracts at the end of this week will heighten any volatility. Investors will also be keeping a close watch on Wall Street, which is still setting the tone for Hong Kong.

Sectors which will be under the spotlight include red-chips, the Chinese companies which have outperformed the Hang Seng recently, and banks. HSBC Holdings and its big separately listed subsidiary, Hang Seng Bank, produce results a week today.

CURRENCIES By Richard Adams

Greenspan under scrutiny for interest rates clues

The highlight for the currency markets promises to be the testimony by Mr Alan Greenspan, chairman of the US Federal Reserve, in a week otherwise light on economic news.

Mr Greenspan's semi-annual Humphrey-Hawkins testimony before the Senate banking committee on Wednesday and Thursday will be watched closely for clues to possible moves by the Fed to raise US interest rates.

Mr Greenspan's theme for much of last year was that low inflation and strong economic growth can co-exist, and many analysts expect him to take a similar line this week.

However, the Fed chairman will have to address wage pressures, and their possible impact on inflation, and may return to the "irrational exuberance" of Wall Street, which has shown few signs of becoming any less exuberant since he made the comment on December 6.

In Europe, the D-Mark's gains made after the publication of a better than expected Ifo sentiment survey last week are likely to hold up, with west German inflation figures for February due on Wednesday.

The French franc may be buoyed by an upturn in household consumption, also out on Wednesday, after December's disappointing figures of minus 0.8 per cent month-on-month.

France also publishes preliminary fourth-quarter GDP figures on Thursday, with analysts' estimates ranging from a possible fall of 0.3 per cent, quarter on quarter, to a rise of 0.5 per cent. The median forecast for annual GDP growth is 1.9 per cent, a rise from 1.4 per cent in the third quarter.

Sterling may take on board further electoral uncertainty, with the holding of the Wirral South parliamentary by-election on Thursday, last won by the Conservative party. A victory by the Labour party there would leave the Conservatives governing with an overall minority of MPs.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Gulf Canada Resources (Canada)	Clyde Petroleum (UK)	Oil & gas	$800m	"Inadequate" bid succeeds
Investcorp (Bahrain)	Welcome Break (UK)	Catering services	$766m	Further Forte fall-out
Orkla (Norway)	Pripps Ringnes (Norway/Sweden)	Drinks	$634m	Volvo non-core disposal
Daimler-Benz (Germany)	Unit of Ford (US)	Heavy vehicles	$300m	Rationalisation
Colonial Mutual (Aus)	Jardine-CMG (HK)	Insurance	$163m	Partner buy-out
Volvo (Sweden)	Champion Road Equipment (Canada)	Heavy equipment	$122m	Buy via US arm
Cooper Tire & Rubber (US)	Avon Tyres (UK)	Tyres	$96m	Disposal
Bunzl (UK)	American Filtronica Corp (US)	Filters & fibres	$72m	Expanding specialist presence
British Aerospace (UK)	Reflectone (US)	Aerospace services	$40m	Offer for outstanding 52%

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, February 21, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7690.96	4750.00	2822.17	3887.76
Albania	(Lek)	208.628	128.850	76.5552	104.918
Algeria	(Dinar)	92.4581	57.1016	33.9265	46.4959
Andorra	(French Fr)	9.2025	5.6836	3.3769	4.6279
Greece	(Drachma)	426.484	263.400	156.502	214.478
Greenland	(Danish Krone)	10.4036	6.4253	3.8177	5.2319
Grenada	(E Carib $)	4.3717	2.7000	1.6042	2.1985
Guadaloupe	(Local Fr)	9.2025	5.6836	3.3769	4.6279
Pakistan	(Pak. Rupee)(5)	64.8954	40.0799	23.8138	32.6357
Panama	(Balboa)	1.6192	1	0.5942	0.8143
Papua New Guinea	(Kina)	2.2395	1.3831	0.8218	1.1262
Paraguay	(Guarani)	3432.60	2120.00	1259.58	1726.24

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (p) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Angolan Readjusted Kwanza devalued on 4/3/96. (2) Two tier rate replaced by floating ... Venezuelan Bolivar 22/4/96 (3) Pakistan Rupee devalued by 7.86pc against US dollar 22/10/96 (4) Market rate now shown for Cuba; FT enquiries to Business Research Centre 0171 873 4829. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365.
To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls charged at 45p/minute cheap rate, 50p/minute at all other times.
Friday, February 21, 1997

MARKETS: This Week

EMERGING MARKETS By Jonathan Wheatley

Faith in reform buoys Brazil

The effervescent start to the year enjoyed by Brazil's stock markets cannot be expected to continue for much longer, but most local analysts are confident it is based on solid fundamentals that will keep stocks buoyant well into 1997.

"I have to be careful with my optimism because brokers sitting on the 40th floor in Park Avenue might think I'm exaggerating, but things are really moving. we're entering a completely new environment," says Mr Helmut Bossert, director in the capital markets division of Brazilian bank Unibanco.

The São Paulo stock exchange index (Ibovespa) has risen 25 per cent this year. Brokers say investors are responding to signs that President Fernando Henrique Cardoso's reformist government is close to making progress on structural reforms designed to underpin its success in cutting inflation from 50 per cent a month in mid-1994 to about 10 per cent for all last year.

The reforms are needed to counter an increasingly worrying budget deficit, running at about 4.5 per cent of gross domestic product.

The government hopes to cut bureaucracy, end public employees' guarantees of a job for life, overhaul the pensions system, and streamline private and corporate taxation. Its proposals are contained in three changes to the constitution, each requiring a three-fifths majority in Congress, which have been stalled in the legislature since 1995.

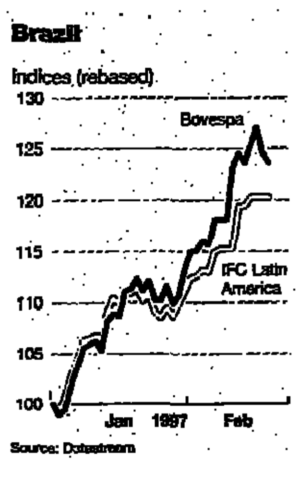
It seems the deadlock is about to be broken. At the end of January, Congress gave first-round approval to an amendment that would allow Mr Cardoso to run for a second consecutive term in office. The move faces three more votes, but seems assured of approval. Mr Cardoso's political capital has soared and he should find it easier to persuade Congress to pass his reforms.

"Everyone said investors had priced in a successful first vote before it happened, but stocks still went up after the fact," says Mr Bossert.

But Mr Cardoso is by no means assured of an easy ride. Stocks dipped at the end of last week after the supreme court ruled in favour of 11 civil servants claiming four years' back pay to match a rise awarded to the military in 1993. If other claims are successful the government could face a bill of R$20bn, more than enough to derail its cost-cutting programme.

More trouble could be in store. Another supreme court ruling is due in a fortnight on whether plans to privatise telecommunications services contravene the constitution. A ruling against privatisation would not be enough to stop the process, but would delay it and make a big dent in investor confidence.

Brazil



Source: Datastream

That would be bad news for stock markets, where not all this year's upside has come from the government's political successes. Investors have also reacted enthusiastically to prospects of a good year for privatisation.

The government hopes sales will bring it $11bn this year, the majority from the long-awaited sale of mining group Companhia Vale do Rio Doce. Investors have shown their confidence: shares in CVRD have risen 35 per cent this year.

In telecommunications, too. investors seem confident. The communications ministry hopes to sell the first concessions to operate B-band cellular services – to compete with existing A-band services offered by the public sector – in the first half. By then it should also have sent legislation to Congress allowing it to sell the entire public network.

Telecoms stocks have long been the champions of Brazil's markets but some have flagged this year after big gains in 1996. The benchmark issue, Telebrás, has outperformed the Ibovespa, however, rising 27 per cent this year; and Telesp, the São Paulo operator, is up 25 per cent.

Investors looking to share in the boom expected in telephone equipment manufacturers have fewer options. Shares in Ericsson, the only big manufacturer listed in Brazil, surged 265 per cent in 1996, and are up 60 per cent this year.

Stocks in the electricity industry have not lagged behind. The sale of federal generating capacity is expected to start this year, but investors have paid most attention to companies owned by state governments.

São Paulo state alone is preparing to sell assets worth some $20bn. CESP, one of three big companies in the state due for sale, is up 45 per cent this year. Other state companies have more than doubled in value in less than two months.

In both electricity and telecommunications, however, most Brazilian stocks remain undervalued compared with similar stocks in other Latin American markets.

Brokers hope to see more correction of this imbalance this year. In the year to date, Brazil has far outperformed markets in Mexico, Argentina and Chile, where the main indices are up 14 per cent, 12 per cent and 9 per cent, respectively.

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	21/02/97	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (449)	178.46	+0.60	+0.34	+7.91	+4.64	+18.34	+11.46
Latin America							
Argentina (22)	118.33	-1.73	-1.44	+.41	+2.08	+11.20	+10.45
Brazil (24)	322.97	-3.05	-0.94	+2.21	+11.08	+61.94	+23.73
Chile (16)	191.32	-1.76	-0.91	+1.99	+1.05	+28.88	+17.78
Colombia (13)	212.24	+5.06	+2.44	+0.94	+0.44	+38.55	+22.19
Mexico (27)	96.08	+1.82	+1.93	+3.96	+4.30	+14.40	+17.63
Peru (12)	1,152.04	+4.60	+0.40	+46.03	+4.16	+144.82	+14.38
Venezuela (6)	64.70	+0.87	+1.36	+2.89	+4.68	+2.53	+4.06
Latin America (119)	170.60	-0.31	-0.18	+10.32	+6.44	+27.10	+18.88
Europe							
Czech Rep.(14)	120.25	+5.77	+5.04	+14.09	+13.27	+15.97	+15.32
Greece (20)	156.14	+13.31	+9.32	+23.06	+17.33	+43.83	+39.03
Poland (25)	408.63	-6.65	-1.60	+36.89	+9.92	+64.88	+18.87
Portugal (18)	165.15	0.00	0.00	+5.38	+3.37	+18.97	+12.98
South Africa (30)	146.15	+0.63	+0.43	+14.35	+10.88	+16.27	+12.52
Turkey (27)	181.56	+6.80	+3.89	+33.96	+23.01	+56.51	+46.20
Europe (134	139.21	+2.23	+1.63	+14.29	+11.44	+20.87	+17.64
Asia							
China (27)	53.25	-0.67	-1.25	-1.80	-3.26	-3.23	-5.71
Indonesia (30)	167.90	-4.10	-2.38	+1.03	+0.62	+11.47	+7.33
Korea (23)	84.50	-3.97	-4.48	-3.72	-4.22	+3.29	+4.05
Malaysia (24)	280.71	+1.74	+0.62	+6.19	+2.25	+0.28	+0.10
Pakistan (13)	80.24	+4.83	+6.40	+15.35	+23.65	+21.78	+37.26
Phillippines (18)	326.17	-4.83	-1.46	+0.57	+0.18	+12.37	+3.94
Taiwan (31)	196.55	+2.24	+1.15	+5.53	+2.90	+11.11	+5.99
Thailand (29)	140.33	+9.33	+7.13	-20.84	-12.93	-14.83	-9.56
Asia (193)	222.97	+0.54	+0.24	+0.02	+0.01	+5.40	+2.48

All indices in $ terms. January 7th 1992=100. Source: ING Baring Securities.

INTERNATIONAL BONDS By Conner Middelmann

Austria takes the parallel route to Emu

The Emu bug has finally infected the eurobond market, which until recently seemed to have little concern for the rapid approach of the single European currency.

Last month, the Republic of Austria became the first borrower to launch securities specifically designed for the dawning euro era: it launched FFr5bn of bonds which can be redenominated into euros if European Monetary Union is achieved.

This type of structure – dubbed "parallel" or "euro-fungible" bonds – was used for seven subsequent deals in various currencies, and more are expected to emerge. In dollar terms, $7.13bn in such bonds have been launched, according to Capital Data Bondware.

Although the terms of these deals have varied slightly, the underlying principle is the same: they are redenominated into euros from January 1 1999 if the first stage of Emu takes effect then, and where a borrower has launched identical tranches in different currencies, they are consolidated into one large, liquid issue.

In most cases, redenomination and consolidation are at the discretion of the borrower, although in some instances they take place automatically.

The emergence of parallel bonds has drawn attention to the fact that the eurobond market will undergo sweeping changes once Emu takes effect.

Under Emu, eurobonds denominated in the currencies subsumed by the euro will not become euro-denominated unless each issue's holders vote for the change. Thus, eurobonds in pre-Emu currencies will become increasingly illiquid as these currencies decline in importance.

Redenominatable bonds, on the other hand, offer the clear advantage of liquidity.

"We expect the emergence of the euro to improve market liquidity, attracting new investors and tightening credit spreads," Mr David Munvez, eurobond strategist at Lehman Brothers in London, predicts in a report published today.

The euro's role will be bolstered further by domestic government debt denominated in the eight currencies expected to participate in the first stage of Emu.

The case for redenominatable bonds, then, is compelling. Or is it? Mr Munvez warns that the potential downside of holding redenominatable bonds is considerable.

For one, currency union could be delayed if not enough countries meet the Maastricht criteria. Moreover, two other scenarios could hit holders of redenominatable bonds once the issues have been converted into euros, he says.

The first would be if Emu were achieved in 1999 but then suffered defections of states due to budgetary or political pressures. The second is that investors could come to view the euro as a soft currency due to the inclusion in Emu of countries with histories of high budget deficits and inflation.

"In either case, we believe bonds denominated in euros would underperform issues denominated in core European currencies such as D-Marks or French francs," Mr Munvez says.

Bondholders concerned about these risks should, therefore, hold bonds in existing core European currencies – preferably paper that is unlikely to be redenominated early, such as D-Mark eurobonds or Pfandbriefe, he suggests.

As Mr Munvez sees it, "parallel bonds offer advantages only to investors who find the redenomination option attractive".

This is because the outstanding parallel bonds are at best fairly valued, in spread terms, against the rest of the eurobond market, and in some cases, notably the D-Mark issues, tightly priced in relative terms.

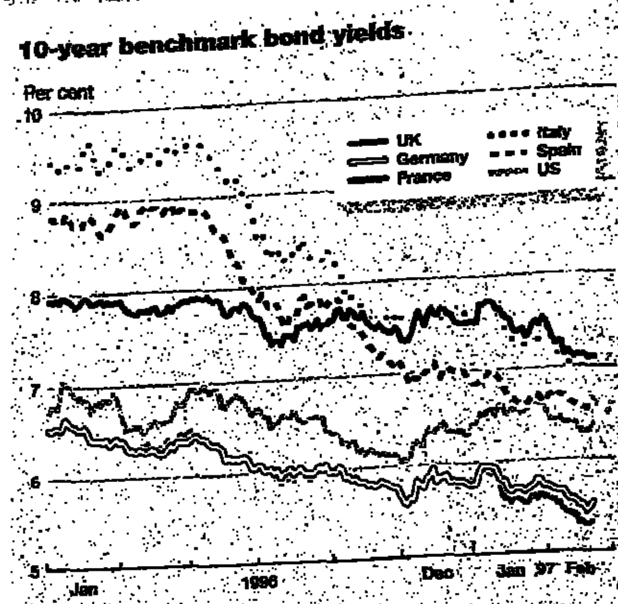
In evaluating parallel bonds, investors should remember that redenomination is usually at the option of the issuer. "Investors usually require compensation for being short an option, but current market pricing suggests that they are not receiving it for parallel bonds," notes Mr Munvez.

Ultimately, bondholders must be guided by their views of prospects for European monetary union.

"Emu bulls will want to hold bonds that can be redenominated to euros because the change of currency will allow participation in a larger and more liquid sector of the market," he argues.

But "investors sceptical about Emu will want to retain bonds in core European currencies as long as possible, and will not be attracted to issues that may cause them to risk giving up holdings in hard currencies in a potentially deteriorating environment," he concludes.

10-year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	3.10¹	6.75	6.00²
Overnight	n.a.	0.50	3.10	3.12	7.00	n.a.
Three month	5.09	0.35	3.12	3.24	7.12	6.06
One year	5.46	0.40	3.17	3.30	6.61	6.43
Five year	6.16	1.37	4.32	4.34	6.65	6.79
Ten year	6.37	2.50	5.53	5.39	7.21	7.12

(1) France-intervention rate. (2) UK-Base rate. Source: Reuters.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
CEI Citicorp Holdings(s)	225	Feb 2007	9.75#	99.743	9.79	+352(6¼%-07)	Merrill Lynch
CEI Citicorp Holdings(s)	100	Feb 2002	8.50#	99.875	8.53	+247(6¼%-02)	Merrill Lynch
Kingdom of Sweden(a,l)★	80	Feb 2007	3.145	100.35	3.104	-	Nikko Europe
Nord.LB(s)	200	Dec 2000	6.00	99.62R	6.064	+8(5⅞%Feb00)	Tokyo-Mitsubishi Intl
CCCMT, 97-1, Class A@‡	1.15bn	Feb 2004	(j1,s)	100.00	-	-	Chase Securities
Sakura Capl Funding, A(k)‡	400	undated	(k1)#	100.00R	7.320	+120(W 5yr)	Merrill Lynch Intl
Sakura Capl Funding, B(k)‡	600	undated	(k2)	100.00R	-	-	Merrill Lynch Intl
KfW International Finance	500	Mar 2007	6.50	99.441R	6.578	+20(6¼Feb07)	DMG/JP Morgan
LB Rheinland-Pfalz	500	Mar 2002	6.25	99.734R	6.314	+15(6¼Jan02)	IBJ Intl/Merrill Lynch
Deutsche Schiffsbank(m,s)	100	Aug 2002	(m1)	101.00	-	-	Commerzbank
LB Schleswig-Holstein Intl(s)	100	Dec 1999	6.00	100.00R	6.01	+6(5⅞%Nov99)	BGL
CS Financial Products(o)‡	50	undated	(p1)	99.775R	-	-	CSFB
Ford Motor Credit Corp	1.25bn	Feb 2002	6.50#	99.916R	6.520	+38(W 5yr)	Goldman Sachs & Co
MBNA MCCT II, Class A(u)‡	850	Mar 2012	(u1,s)	100.00R			Lehman Brothers
FBCCMT, Series 1997-1(v,s)	394.8	Feb 2002	6.40#	99.87723R	6.43	+30(W 5yr)	JP Morgan Securities
BGB Finance (Ireland)	300	Mar 2001	6.25	100.00R	6.250	-	Daiwa Europe
Islamic Rep of Pakistan(w)§	150	Feb 2002	6.00#	100.00	-	-	Nomura/UBS(East Asia)
Comerica Bank(x)‡	100	Mar 2002	(x1)	99.9825	-	-	Lehman/Sanwa Intl
Banco Nordeste do Brazil(y)	50	Mar 2005	9.625#	99.95R	9.376	+325(W 5yr)	CSFB
Ned Waterschapsbank(s)	200	Dec 1999	6.00	100.12R	5.96	+3(W 2yr)	Merrill/Tokyo-Mitsubishi
Council of Europe(s)★	160	Mar 2000	5.33#	100.00	-	-	Taiheiyo/Yamaichi
Asset Backed Capital(F)‡	100	Feb 2007	(F1)	99.30R	-	-	CSFB
Lai Sun Intl Finance(Cay)(G)§	100	Feb 2004	5.00#	100.00	-	-	Bankers Tst/HSBC Asia
D-MARKS							
City of Vienna(s)	300	Jan 2003	4.75	99.89R	4.772	flat(7⅛%-02)	Bayer/VB/SBC Warburg
KLP(b)‡	110	Mar 2007	(b1)	100.00			Salomon Brothers
SBC, Jersey Branch(c)	100	Mar 2001	1.00	94.82	-	-	SBC Warburg
LB Rheinland-Pfalz	100	Apr 2004	(d)	99.88R	5.08	flat(l)	Kreditbank Bankverein
Russian Investments(p)	100	Mar 2015	(p1)	99.50R	12.00	+611(6%-07)	Paribas Capital Markets
LW Rentenbank(q)	100	Feb 1999	(q1)	100.125	-	-	Merrill Lynch (Deutsch)
Batavia II Credit Card(z,s)	340	Mar 2009	5.875	99.31R	5.957	+43(6%Jan07)	Morgan Stanley Bank
Raiffeisen Zentralbank	300	Mar 2003	4.875	101.84	4.518	-	DG Bank
LB Rheinland-Pfalz‡	100	Mar 2007	(A)	99.875R	-	-	Morgan Stanley Bank
YEN							
3CIF★	50bn	Mar 2009	3.00	100.00R	3.000	-	Nomura International
Tokai Finance(Curacao)(B)‡★	20bn	undated	(B1)	100.00	-	-	Tokai Bank Europe
FRENCH FRANCS							
European Inv'ment Bank(t,s)	3bn	Feb 2007	5.75	102.94R	5.382	+15(l)	BNP
Sara Lee Corp	1bn	Mar 2002	4.625	99.738R	4.685	+22(4¾Mar02)	Société Générale
Eurofima(C)‡	500	Mar 2007	(C1)	99.70	-	-	Société Générale
STERLING							
Council of Europe(s)★	100	Dec 1998	6.00	100.00	-	-	Nikko Europe
Bayerische Landesbank(s)	500	Jun 2002	6.875	99.52R	6.997	+15(7%Jun02)	CSFB/SBC Warburg
World Bank(l)★	250	Mar 2000	6.00#	100.425	-	-	Nomura International
Barclays Bank(r)‡	300	Mar 2012	(r1)	99.65R	-	-	BZW
Midland Bank‡	300	Mar 2002	(D)	99.959R	-	-	HSBC Markets
Safeway	150	Mar 2004	7.50	99.37R	7.619	+45(6¾Nov04)	CSFB
SWISS FRANCS							
CCDO	150	Apr 2004	3.25	102.00	2.930	-	Banca del Gottardo
Bayerische Hypo	150	Apr 2003	3.00	102.20	2.599	-	CSFB
Deutsche Ausgleichsbank	100	Mar 2007	3.50	102.25	3.233	-	Banca del Gottardo
ITALIAN LIRE							
Crédit Local de France‡	200bn	Mar 2002	(e)	99.45R	-	-	Deutsche Morgan G'fell
Nordic Investment Bank(f)	100bn	Mar 2002	(f1)	99.875R	-	-	Cariplo
Republic of Turkey	300bn	Mar 2002	9.00	99.00R	9.259	+246(7¾%-01)	Chase Manhattan Intl.
GUILDERS							
DePfa Finance	250	Dec 2007	4.25	99.20R	4.446	+13.1(6¾-01)	ING Barings
ABN Amro Bank	400	Mar 2009	6.00	100.42	5.950	+53(5¼Feb07)	ABN Amro Hoare Govett
AUSTRALIAN DOLLARS							
World Bank	100	Mar 2001	6.75	101.64	6.274	-	ABN Amro Hoare Govett
Commerzbank O'seas Fin(s)	100	Dec 2001	7.00	100.845	-	-	Toronto Dominion Bank
Eksportfinans	100	Apr 2004	7.25	100.65	7.129	-	Hambros Bank
EUROS							
European Inv'ment Bank(l)	300	Apr 2004	5.25	99.606R	5.32	-1(6%Apr07)	CDC/Paribas/SBCW
PESETAS							
DSL Bank‡	10bn	Mar 2007	(g)	101.00	-	-	BNP España
CANADIAN DOLLARS							
GECC(s)	100	Dec 2002	5.50	99.50R	5.61	+26(7%Sep01)	CIBC Wood Gundy
DANISH KRONER							
First Austrian Bank	400	Apr 2005	(h)	101.90	5.70	-	Kreditbank Intl Group
RATP(s)	400	Dec 2005	6.00	101.58	5.77	-	Banque Paribas Lux.
Cariovest	400	Apr 2007	(E)	102.00	6.45	-	BBL/Cera Bank
DePfa Finance(s)	400	Dec 2004	6.00	101.60	5.74	-	ABN Amro HG/BGL
SOUTH AFRICAN RAND							
SBC, Jersey Branch	250	Mar 1999	15.00	100.00R	15.00	-	SBC Warburg
ARGENTINE PESOS							
CEI Citicorp Holdings(s)	175	Feb 2007	11.25#	100.00	11.25	+498(6¼%-07)	Merrill Lynch

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ɸWith equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Redeemed in Yen. b) Callable from Mar 02 at par. b1) 6-mth Libor +55bp to Mar 02, then +130bp. c) Exchangeable into FTSE Eurotrack 100 index at 2589.19. Callable from 15/3/99, subject to 110% hurdle, at accreted value. d) Can be consolidated with Fl 1bn upon EMU. e) 8% for 6 mths, then 4.05% + (6-mth Lira Libor - 6-mth DM Libor). f) Convertible in Mar 99 into FRN paying 6-mth Libor +25bp. f1) zero to 18/3/98, then linked to Mib-30 to 18/3/00, then 9%. g) 6.67% to 20/3/02, then 12.80% - 12-mth Libor, min 4.5%. h) 5% to 1/4/01, then 7¼%. l) Over interpolated yield. j) Chase Credit Card Master Trust. Legal final: 15/10/06. j1) 1-mth Libor +9bp. j2) Class B: $95.833m, 1-mth Libor +29bp, 99⅞%, 15/3/04. k) Callable from Feb 02 at par. k1) 7.32% to Feb 02, then 3-mth Libor +245bp. k2) 3-mth Libor +95bp to Feb 02, then +245bp. l) Long 1st coupon. m) Callable on 28/8/99, 00 & 01 at par. m1) 6% to 25/8/99, then 8%. o) $150m launched 13/2/97 increased to $200m. Callable in Mar 07 and every 5 yrs at par. n1) 3-mth Libor +75bp to Mar 07, then +175bp. o) 4% to 1/4/01, then 6¾%. p) Redeemed on 15/1/98 with 3% interest if Vnesheconombank restructuring is not completed by 31/12/97. Callable on 19/3/01 at par. p1) 14% to 19/3/01, then 10%. q) Redemption: 100⅛%. q1) Single coupon linked to Ecu/DM swap rate. r) Callable on coupon dates from 12/3/07 at par. r1) 3-mth Libor +20bp to Mar 07, then +120bp. s) Short 1st coupon. t) Fungible with E1bn. Plus 21 days accrued. u) Av life: 15 yrs. Legal maturity: 15/8/14. u1) 1-mth Libor +16bp. u2) Class B: $75m, 1-mth Libor +35bp, parR, 15/3/12 expected. v) First Bank Corporate Card Master Trust. Av life: 4.97 yrs. Legal maturity: 15/2/03. v1) Class B: $8.3m. w) Exchangeable into Pakistan Telecom "A" shares at rupees 38. FX: 40.08 rupees/$. Puttable on 26/2/00 at 104.71%, Callable from 26/2/00, subject to 133% hurdle, at par. Greenshoe: $25m. x) Callable from 3/3/00 at par. x1) 3-mth Libor +⅛%. y) Callable & puttable on 7/3/02 at 98.38%. z) Backed by Citibank Credit Card Trust, 97-4. Class A certs. Legal maturity: 10/3/11. A) 8½% to 26/3/98, then 16% - 2 x 6-mth Libor. B) Callable from Feb 02 at par. B1) 6-mth Libor +70bp to 25/2/02, then +130bp to 25/2/07, then +180bp. C) FFr300m launched 13/2/97 increased to FFr800m. C1) 5.561% + 4 x (3-mth FFr Libor - 3-mth DM Libor), min zero. D) 3-mth Libor flat. E) 6% to 10/4/02, then 7% to 10/4/05, then 9%. F) Callable in Feb 02 at 100.75%. F1) 3-mth Libor +45bp. G) Exchangeable into Asia TV shares at price fixed on IPO. Callable on or after IPO. Conditional put on 8/8/01 at 120.89%. Put on 28/2/02 at 125.45%. Redeemed at 142.91%. Note: Yields are calculated on ISMA basis.

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Feb 21		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.1798	+0.0172	706 - 890	19.2425	19.1126	19.1358	2.7	19.0793	2.1	-	-	103.7
Belgium	(BFr)	56.2493	+0.0033	047 - 938	56.5720	56.0120	56.1243	2.7	55.8593	2.8	54.6843	2.8	103.6
Denmark	(DKr)	10.4036	+0.0141	997 - 074	10.4342	10.3555	10.3837	2.3	10.3431	2.3	10.1642	2.3	105.6
Finland	(FM)	8.1662	+0.0223	494 - 610	8.1820	8.1040	-	-	-	-	-	-	83.1
France	(FFr)	9.2025	+0.0059	993 - 057	9.2349	9.1662	9.1818	2.7	9.1401	2.7	8.9353	2.9	106.4
Germany	(DM)	2.7252	+0.0026	240 - 263	2.7347	2.7137	2.7187	2.9	2.7064	2.9	2.6406	3.1	105.4
Greece	(Dr)	428.484	-0.054	295 - 674	429.445	425.236	-	-	-	-	-	-	68.7
Ireland	(I£)	1.0271	+0.0008	263 - 279	1.0293	1.0249	1.0269	0.4	1.0259	0.5	1.0192	0.8	102.6
Italy	(L)	2692.86	-2.92	151 - 420	2702.37	2683.16	2696.11	-1.4	2698.46	-0.8	2686.61	0.2	76.7
Luxembourg	(LFr)	56.2493	+0.0033	047 - 938	56.5720	56.0120	56.1243	2.7	55.8593	2.8	54.6843	2.8	103.6
Netherlands	(Fl)	3.0624	+0.0047	613 - 634	3.0716	3.0473	3.0546	3.1	3.0391	3.0	2.9656	3.2	103.4
Norway	(NKr)	10.8758	-0.0675	688 - 830	10.9451	10.8139	10.8633	1.4	10.8433	1.2	10.7383	1.3	102.6
Portugal	(Es)	273.653	-0.156	512 - 793	274.550	272.835	273.848	-0.9	274.218	-0.8	-	-	94.7
Spain	(Pta)	231.101	+0.485	970 - 232	231.410	229.700	231.101	0.0	230.881	0.4	228.486	1.1	78.0
Sweden	(SKr)	11.9728	+0.0126	641 - 814	12.0213	11.9298	11.9538	1.9	11.9093	2.1	11.6998	2.3	86.5
Switzerland	(SFr)	2.3738	-0.0143	725 - 750	2.3920	2.3721	2.3658	4.1	2.3506	3.9	2.2791	4.0	102.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	97.4
Ecu	-	1.4043	+0.0011	029 - 056	1.4091	1.4003	1.4024	1.7	1.398	1.8	1.3765	2.0	-
SDR	-	1.174916	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6184	+0.0072	180 - 187	1.6210	1.6103	-	-	-	-	-	-	-
Brazil	(R$)	1.7009	+0.0087	004 - 014	1.7032	1.6851	-	-	-	-	-	-	-
Canada	(C$)	2.2051	+0.0158	042 - 059	2.2059	2.1938	2.1999	2.8	2.1891	2.9	2.1301	3.4	85.4
Mexico	(New Peso)	12.5630	+0.0738	522 - 738	12.5894	12.5071	-	-	-	-	-	-	-
USA	($)	1.6192	+0.0078	188 - 195	1.6213	1.6105	1.6182	0.7	1.6161	0.8	1.6066	0.8	103.8
Pacific/Middle East/Africa													
Australia	(A$)	2.0806	-0.0099	797 - 819	2.0827	2.0757	2.0821	-0.7	2.0828	-0.4	2.0824	-0.1	97.1
Hong Kong	(HK$)	12.5371	+0.0641	338 - 406	12.5528	12.4704	12.5296	0.7	12.516	0.7	12.4513	0.7	-
India	(Rs)	58.0871	+0.3103	340 - 401	58.1880	57.8010	-	-	-	-	-	-	-
Israel	(Shk)	5.4161	+0.0205	100 - 221	5.4221	5.3915	-	-	-	-	-	-	-
Japan	(Y)	198.848	+0.525	756 - 939	199.170	197.470	197.918	5.6	196.063	5.6	187.648	5.6	122.9
Malaysia	(M$)	4.0123	+0.0072	106 - 139	4.0193	4.0024	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3306	+0.0092	289 - 322	2.3355	2.3158	2.3373	-3.5	2.3468	-2.8	2.3676	-1.6	115.3
Philippines	(Peso)	42.6525	+0.2082	069 - 981	42.6981	42.6098	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0727	+0.0292	710 - 743	6.0804	6.0426	-	-	-	-	-	-	-
Singapore	(S$)	2.3057	+0.0091	044 - 070	2.3070	2.2927	-	-	-	-	-	-	-
South Africa	(R)	7.2578	+0.0387	538 - 618	7.2619	7.2358	-	-	-	-	-	-	-
South Korea	(Won)	1387.61	+9.86	407 - 115	1391.15	1380.36	-	-	-	-	-	-	-
Taiwan	(T$)	44.5886	+0.1817	465 - 306	44.7403	44.4047	-	-	-	-	-	-	-
Thailand	(Bt)	42.0008	+0.1849	674 - 341	42.0570	41.7880	-	-	-	-	-	-	-

† Rates for Feb 20. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	11.8453	-0.0463	425 - 481	11.8760	11.8280	11.8306	1.5	11.7853	2.0	11.5903	2.2	103.6
Belgium	(BFr)	34.7400	-0.165	200 - 600	34.9860	34.6890	34.68	2.1	34.5525	2.2	34.0125	2.1	103.6
Denmark	(DKr)	6.4253	-0.0222	243 - 263	6.4419	6.4145	6.4164	1.7	6.398	1.7	6.3163	1.7	105.1
Finland	(FM)	5.0367	-0.0104	342 - 392	5.0442	5.0238	5.0279	2.1	5.0091	2.2	4.9267	2.2	83.0
France	(FFr)	5.6836	-0.0236	828 - 843	5.6992	5.6803	5.6753	1.8	5.6573	1.9	5.5816	1.8	106.0
Germany	(DM)	1.6831	-0.0065	827 - 834	1.6879	1.6808	1.6802	2.1	1.6743	2.1	1.6495	2.0	105.0
Greece	(Dr)	263.400	-1.3	340 - 460	264.450	263.340	264.955	-7.1	267.525	-6.3	278.55	-5.8	65.6
Ireland	(I£)	1.5764	+0.0061	755 - 773	1.5800	1.5711	1.5759	0.3	1.5756	0.2	1.5727	0.2	-
Italy	(L)	1663.13	-9.82	266 - 360	1669.90	1661.75	1665.87	-2.0	1669.03	-1.4	1669.91	-0.4	76.3
Luxembourg	(LFr)	34.7400	-0.165	200 - 600	34.9860	34.6890	34.68	2.1	34.5525	2.2	34.0125	2.1	103.6
Netherlands	(Fl)	1.8914	-0.0061	911 - 916	1.9007	1.8885	1.8876	2.4	1.8796	2.5	1.844	2.5	103.4
Norway	(NKr)	6.7170	-0.0742	140 - 200	6.7805	6.7033	6.7132	0.7	6.7076	0.6	6.682	0.5	102.2
Portugal	(Es)	169.010	-0.91	960 - 060	169.450	168.750	169.215	-1.5	169.51	-1.2	170.285	-0.8	95.1
Spain	(Pta)	142.730	-0.385	680 - 780	142.900	142.400	142.826	-0.8	142.839	-0.3	142.06	0.5	77.7
Sweden	(SKr)	7.3945	-0.0278	907 - 982	7.4260	7.3880	7.3917	0.5	7.3879	0.7	7.3345	0.8	86.0
Switzerland	(SFr)	1.4661	-0.0159	656 - 665	1.4777	1.4645	1.4623	3.2	1.4545	3.2	1.4216	3.0	101.3
UK	(£)	1.6192	+0.0078	188 - 195	1.6213	1.6105	1.6182	0.7	1.6161	0.8	1.6066	0.8	96.9
Ecu	-	1.1531	+0.0047	522 - 539	1.1539	1.1485	1.1544	-1.4	1.1576	-1.5	1.1742	-1.6	-
SDR†	-	0.72624	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9985	-0.0004	995 - 995	0.9995	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	1.0505	+0.0004	504 - 506	1.0506	1.0408	-	-	-	-	-	-	-
Canada	(C$)	1.3619	+0.0031	616 - 621	1.3623	1.3590	1.3596	2.1	1.3545	2.2	1.327	2.6	85.9
Mexico	(New Peso)	7.7590	+0.0085	540 - 640	7.7640	7.7540	7.877	-18.2	8.1435	-19.8	9.004	-16.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	104.4
Pacific/Middle East/Africa													
Australia	(A$)	1.2851	-0.0123	847 - 855	1.2908	1.2847	1.2866	-1.4	1.2885	-1.1	1.294	-0.7	98.1
Hong Kong	(HK$)	7.7430	+0.0025	425 - 435	7.7436	7.7425	7.7429	0.0	7.7435	0.0	7.7545	-0.1	-
India	(Rs)	35.8750	+0.02	500 - 000	35.9000	35.8500	36.09	-7.2	36.55	-7.5	-	-	-
Israel	(Shk)	3.3450	-0.0034	420 - 480	3.3480	3.3420	-	-	-	-	-	-	-
Japan	(Y)	122.810	-0.265	780 - 840	123.100	122.450	122.335	4.6	121.33	4.8	117.13	4.6	124.0
Malaysia	(M$)	2.4780	-0.0075	775 - 785	2.4868	2.4770	2.4809	-1.4	2.4863	-1.3	2.5075	-1.2	-
New Zealand	(NZ$)	1.4394	-0.0012	388 - 401	1.4401	1.4386	1.4449	-4.6	1.4492	-2.7	1.4807	-2.9	-
Philippines	(Peso)	26.3425	+0.0025	200 - 650	26.3650	26.3200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7507	3.7503	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4240	-0.0012	235 - 245	1.4245	1.4225	1.4218	1.8	1.4172	1.9	1.396	2.0	-
South Africa	(R)	4.4825	+0.0025	810 - 840	4.4895	4.4750	4.5232	-10.9	4.5982	-10.3	4.913	-9.6	-
South Korea	(Won)	857.000	+2	000 - 000	859.000	855.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.6000	-0.02	800 - 200	27.6200	27.5700	27.6001	0.0	27.6003	0.0	-	-	-
Thailand	(Bt)	25.9400	-0.01	250 - 550	25.9650	25.9250	26.03	-4.2	26.1975	-4.0	26.835	-3.5	-

† SDR rate per $ for Feb 20. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 20: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

February 21	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅛	3⅛	3⅛	3⅛	3⅛	6.00	2.50	-
week ago	3⅛	3⅛	3⅛	3⅛	3⅛	6.00	2.50	-
France	3¼	3¼	3⅜	3⅜	3⅝	3.10	-	4.75
week ago	3⅛	3¼	3¼	3¼	3⅜	3.10	-	4.75
Germany	3⅛	3⅛	3¼	3⅛	3⅛	4.50	2.50	3.00
week ago	3⅛	3⅛	3⅛	3⅛	3¼	4.50	2.50	3.00
Ireland	5⅞	5⅞	5⅞	5⅞	5⅞	-	-	6.25
week ago	5⅞	5⅞	5⅞	5⅞	5⅞	-	-	6.25
Italy	7⅛	7¼	7⅛	6⅞	6⅝	8.25	6.75	7.41
week ago	7⅛	7¼	7⅛	7⅛	6⅝	8.25	6.75	7.41
Netherlands	2⅞	2⅞	3⅛	3⅛	3⅛	-	3.00	3.30
week ago	2⅞	2⅞	2⅞	3	3⅛	-	3.00	3.30
Switzerland	1½	1⅝	1⅝	1¾	1¾	-	1.00	-
week ago	1½	1⅝	1⅝	1⅝	1⅝	-	1.00	-
US	5⅜	5⅜	5⅜	5½	5⅝	-	5.00	-
week ago	5⅜	5⅜	5⅜	5½	5⅝	-	5.00	-
Japan	½	½	½	½	½	-	0.50	-
week ago	½	½	½	½	½	-	0.50	-
$ LIBOR FT London								
Interbank Fixing	-	5⅜	5⅝	5⅝	5⅞	-	-	-
week ago	-	5⅜	5½	5⅝	5⅞	-	-	-
US Dollar CDs	-	5.10	5.11	5.17	5.35	-	-	-
week ago	-	5.10	5.20	5.20	5.32	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4⅛	4⅛	-	-	-
week ago	-	4⅛	4⅛	4⅛	4⅛	-	-	-
SDR Linked Ds	-	3⅛	3⅛	3⅛	3⅛	-	-	-
week ago	-	3⅛	3⅛	3⅛	3⅛	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 21	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅛ - 2⅞	3¼ - 3	3¼ - 3⅛	3¼ - 3⅛	3⅜ - 3¼	3⅜ - 3⅛
Danish Krone	3¾ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3¾ - 3⅝	3⅞ - 3¾
German Mark	3⅛ - 2⅞	3⅛ - 3	3⅛ - 3	3⅛ - 3	3¼ - 3⅛	3⅜ - 3¼
Dutch Guilder	3⅛ - 3	3⅛ - 2⅞	2⅞ - 2¾	3⅛ - 2⅞	3⅛ - 3	3⅜ - 3⅛
French Franc	3¼ - 3⅛	3⅜ - 3⅛	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅝ - 3½
Portuguese Esc.	6¼ - 6⅛	6⅜ - 6¼	6⅜ - 6¼	6⅜ - 6⅛	5⅞ - 5¾	5⅞ - 5¾
Spanish Peseta	5⅞ - 5⅝	6¼ - 6⅛	6⅛ - 5⅞	6 - 5⅞	5⅞ - 5¾	5¾ - 5⅝
Sterling	6⅛ - 5⅞	6⅛ - 6⅛	6⅛ - 6⅛	6⅜ - 6⅛	6⅝ - 6½	6⅞ - 6⅝
Swiss Franc	1¾ - 1¼	1⅝ - 1½	1¾ - 1½	1¾ - 1½	1⅞ - 1¾	1⅞ - 1¾
Canadian Dollar	3⅛ - 2⅞	3⅛ - 2⅞	3⅛ - 2⅞	3⅛ - 2⅞	3¼ - 3⅛	3⅝ - 3½
US Dollar	5⅜ - 4⅞	5⅜ - 5¼	5⅜ - 5¼	5⅝ - 5½	5½ - 5⅜	5⅞ - 5¾
Italian Lira	7⅞ - 7	7½ - 7⅜	7⅜ - 7¼	7¼ - 7⅛	7 - 6⅞	6⅞ - 6⅝
Japanese Yen	½ - ⅜	½ - ⅜	½ - ⅜	½ - ⅜	½ - ⅜	½ - ⅜
Asian $Sing	3⅞ - 3⅝	3¼ - 3⅛	4¼ - 3¾	4 - 3½	4 - 3½	4 - 3½

Short term rates are call for the US Dollar and Yen, others: two days' notice.

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.50	94.51	-	94.51	94.50	35,560	389,811
Jun	94.39	94.40	-0.04	94.40	94.38	76,047	394,408
Sep	94.25	94.26	-0.14	94.27	94.24	79,854	301,028

US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.04	95.03	-	95.04	95.03	434	5,547
Jun	94.94	94.94	-0.01	94.95	94.93	179	3,724
Sep	-	94.80	-	-	-	392	1,358

All Open Interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 21		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.49	16.36	4.844	1.826	4786	5.444	19.32	486.4	410.8	21.28	4.220	1.778	3.920	2.878	353.4	2.496
Denmark	(DKr)	54.09	10	8.849	2.620	0.988	2588	2.944	10.45	263.1	222.2	11.51	2.283	0.962	2.120	1.557	191.2	1.350
France	(FFr)	61.12	11.30	10	2.961	1.116	2925	3.327	11.81	297.3	251.1	13.01	2.580	1.087	2.396	1.759	216.0	1.526
Germany	(DM)	20.64	3.817	3.377	1	0.377	987.9	1.124	3.989	100.4	84.81	4.393	0.871	0.367	0.809	0.594	72.95	0.515
Ireland	(I£)	54.77	10.13	8.961	2.653	1	2621	2.981	10.58	266.4	225.0	11.66	2.312	0.974	2.147	1.576	193.6	1.367
Italy	(L)	2.090	0.386	0.342	0.101	0.038	100.	0.114	0.404	10.16	8.585	0.445	0.088	0.037	0.082	0.060	7.385	0.052
Netherlands	(Fl)	18.37	3.396	3.006	0.890	0.335	879.2	1	3.550	89.35	75.47	3.909	0.775	0.327	0.720	0.529	64.92	0.459
Norway	(NKr)	51.75	9.569	8.466	2.507	0.945	2477	2.817	10	251.7	212.6	11.01	2.184	0.920	2.029	1.489	182.9	1.292
Portugal	(Es)	20.56	3.801	3.364	0.996	0.375	983.9	1.119	3.973	100.	84.47	4.375	0.868	0.365	0.806	0.592	72.66	0.513
Spain	(Pta)	24.34	4.500	3.982	1.179	0.444	1165	1.325	4.704	118.4	100.	5.180	1.027	0.433	0.954	0.701	86.02	0.608
Sweden	(SKr)	46.99	8.688	7.688	2.277	0.858	2249	2.558	9.081	228.6	193.1	10	1.983	0.835	1.842	1.353	166.1	1.173
Switzerland	(SFr)	23.69	4.381	3.877	1.148	0.433	1134	1.290	4.579	115.2	97.35	5.042	1	0.421	0.929	0.682	83.74	0.591
UK	(£)	56.25	10.40	9.203	2.725	1.027	2692	3.062	10.87	273.6	231.1	11.97	2.374	1	2.205	1.619	198.8	1.404
Canada	(C$)	25.51	4.717	4.174	1.236	0.466	1221	1.389	4.930	124.1	104.8	5.429	1.077	0.454	1	0.734	90.16	0.637
US	($)	34.74	6.424	5.684	1.683	0.634	1663	1.891	6.714	169.0	142.7	7.393	1.466	0.618	1.362	1	122.8	0.867
Japan	(Y)	28.29	5.231	4.629	1.371	0.517	1354	1.540	5.468	137.6	116.2	6.021	1.194	0.503	1.109	0.814	100.	0.706
Ecu		40.06	7.407	6.555	1.941	0.731	1917	2.181	7.742	194.9	164.6	8.526	1.691	0.712	1.571	1.153	141.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.5949	0.5929	-0.0011	0.5958	0.5920	24,471	89,812
Jun	0.5986	0.5962	-0.0011	0.5991	0.5954	677	6,096
Sep	0.6016	0.5998	-0.0011	0.6016	0.6000	2	2,317

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.6796	0.6810	+0.0020	0.6849	0.6782	16,792	50,988
Jun	0.6902	0.6873	+0.0020	0.6912	0.6864	1,042	2,981
Sep	0.6970	0.6940	+0.0020	0.6970	0.6935	381	1,695

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.8194	0.8137	-0.0042	0.8196	0.8133	29,026	76,872
Jun	0.8286	0.8241	-0.0042	0.8291	0.8238	994	3,947
Sep	-	0.8349	-0.0042	-	0.8359	32	576

STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	1.6110	1.6172	+0.007	1.6204	1.6100	5,782	33,525
Jun	1.6074	1.6144	+0.007	1.6170	1.6074	118	2,813
Sep	1.6090	1.6108	+0.007	1.6130	1.6080	32	1,091

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Mar	Apr	May	PUTS Mar	Apr	May
1.600	2.51	3.13	3.73	0.60	1.56	2.26
1.610	1.86	2.55	3.18	1.17	1.90	2.65
1.620	1.36	2.10	2.69	1.66	2.51	3.17

Previous day's vol., Calls 850 Puts 38. Prev. day's open int., Calls 32,573 Puts 50,086

PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Mar	Apr	May	PUTS Mar	Apr	May
0.590	0.72	1.05	1.37	0.42	0.66	0.86
0.595	0.46	0.80	1.10	0.66	0.95	1.10
0.600	0.28	0.59	0.87	0.98	1.20	1.38

Previous day's vol., Calls 827 Puts 7,042. Prev. day's open int., Calls 32,573 Puts 50,086

UK INTEREST RATES

LONDON MONEY RATES

Feb 21	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅛ - 5	6⅛ - 5⅞	6⅛ - 5⅞	6¼ - 6⅛	6⅜ - 6¼	6⅝ - 6½
Sterling CDs	-	-	6⅛ - 6	6⅛ - 6⅛	6⅜ - 6¼	6⅝ - 6½
Treasury Bills	-	-	5⅞ - 5⅞	5⅞ - 5⅞	-	-
Bank Bills	-	-	5⅞ - 5⅞	6 - 5⅞	6¼ - 6⅛	-
Local authority deps.	6⅛ - 5⅞	6⅛ - 6⅛	6¼ - 6⅛	6¼ - 6⅛	6⅜ - 6⅜	6⅝ - 6⅝
Discount Market deps	6¼ - 5¾	6⅛ - 5⅞	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Feb 21, 5.8591pc. ECGD fixed rate Stg. Export Finance. Make up day Jan 31, 1997. Agreed rate for period Feb 26, 1997 to Mar 25, 1997, Scheme III 7.68pc. Reference rate for period Jan 1, 1997 to Jan 31, 1997, Schemes IV & V 6.403pc. Finance House Base Rate 6½pc from Feb 1, 1997

BANK OF ENGLAND TREASURY BILL TENDER

	Feb 21	Feb 14		Feb 21	Feb 14
Bills on offer	£400m	£400m	Top accepted rate	5.7758%	5.8560%
Total of applications	£2869m	£2547m	Ave. rate of discount	5.7748%	5.8415%
Total allocated	£400m	£400m	Average yield	5.8591%	5.9278%
Min. accepted bid	£98.560	£98.540	Offer at next tender	£400m	£400m
Allotment at min. level	97%	32%	Min. accept. bid 92 days	-	-

Pound in New York

Feb 21	--Close--	-- Prev. close --
£ spot	1.6190	1.6115
1 mth	1.6181	1.6105
3 mth	1.6160	1.6085
1 yr	1.6068	1.5993

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Markets page in today's edition.

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Bank of Scotland	6.00	●Hill Samuel	6.00	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
●Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00	● Members of London Investment Banking Association	
Citibank NA	6.00	Julian Hodge Bank	6.00	* In administration	
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		●Rea Brothers	6.00		

OTHER STATISTICS

STOCK INDICES

	Feb 21	Feb 20	Feb 19	Feb 18	Feb 17	1996/97 High	1996/97 Low	Since comp. High	Since comp. Low
FTSE 100	4336.8	4356.1	4357.4	4332.3	4337.8	4357.4	3632.3	4367.4	986.9
FTSE 250	4631.0	4633.5	4620.4	4612.7	4606.5	4633.5	4015.3	4633.5	1379.4
FTSE 250 ex IT	4665.8	4666.6	4654.9	4648.9	4643.5	4666.6	4024.4	4666.6	1378.3
FTSE 350	2142.8	2150.8	2149.8	2139.3	2140.9	2150.6	1816.5	2150.6	664.5
FTSE SmallCap	2347.56	2350.53	2346.43	2343.45	2340.96	2350.55	1954.08	2350.55	1363.79
FTSE SmallCap ex IT	2353.57	2355.50	2352.11	2350.09	2348.72	2355.50	1269.87	2355.50	1269.87
FTSE All-Share	2115.45	2122.75	2121.75	2111.96	2113.17	2122.75	1791.95	2122.75	61.92
FTSE Fledgling	1334.12	1332.69	1329.35	1327.94	1326.63	1334.12	1108.94	1334.12	31.14
FTSE Eurotrack 100	2142.72	2148.05	2180.24	2172.87	2165.29	2172.87	1504.40	2172.87	900.45
FTSE Eurotrack 200	2176.44	2184.39	2197.11	2198.41	2190.84	2198.41	1584.49	2198.41	938.62
FT 30	2864.5	2874.5	2872.0	2843.3	2845.8	2895.2	2668.8	2895.2	49.4
FT Govt Securities	96.64	96.51	96.61	96.74	96.30	96.74	91.57	127.40	49.18
FT Fixed Interest	120.13	120.04	120.15	120.18	119.92	120.18	110.60	133.87	50.53
FT Gold Mines	1864.43	1842.54	1811.54	1794.93	1762.55	2520.73	1674.61	2620.73	922.16

BANK RETURN

BANKING DEPARTMENT	Wednesday February 19, 1997	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	969,647,654	-98,119,260
Bankers deposits	1,934,148,779	-216,562,813
Reserve and other accounts	3,409,296,770	+413,089,809
	6,327,646,203	+98,407,736
Assets		
Government securities	1,295,391,749	-5,155,000
Advance and other accounts	2,248,050,785	+671,584,471
Premise, equipment and other secs	2,772,049,112	-568,685,683
Notes	12,015,649	+661,771
Coin	138,908	+2,177
	6,327,646,203	+98,407,736
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	20,577,984,351	+9,338,229
Notes in Banking Department	12,015,649	+661,771
	20,590,000,000	+10,000,000
Assets		
Other Government securities	9,014,033,181	+824,215,578
Other Securities	11,575,966,819	-814,215,578
	20,590,000,000	+10,000,000

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996/97 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	8.97	180	128½	†C&B Publishing	175		-	-	-	-
§	F.P.	3.25	3½	3	†Calidore Group	3¼		-	-	-	-
§	F.P.	2.00	1½	½	†Do Warrants	1¼		-	-	-	-
75½	F.P.	3,031	77½	55	Centrica	68½	-1¾	-	-	-	-
	F.P.	-	492½	425	First Pus Wts II	492½	+37½	-	-	-	-
§100	F.P.	16.4	295	171	†GB Railways	187½	-5	-	-	-	-
§125	F.P.	27.5	150	143	†Infobank Intl	143	-1	-	-	-	-
§	F.P.	5.53	4	3¾	†J Lewis Hungld	4		-	-	-	21.4
§	F.P.	69.2	292½	220	PSD (A/L)	286	-2½	5.43	2.4	2.4	22.3
§100	F.P.	24.7	123½	97½	Prelude Tst	118½		-	-	-	-
§	F.P.	1.73	51	22½	Do Warrants	41½		-	-	-	-
§100	F.P.	6.38	105	99	Tea Plantations	102		-	-	-	-
§	F.P.	0.38	30½	24½	Do Warrants	30½		-	-	-	-
§	F.P.	30.9	128½	122½	Technoplast	122½		-	-	-	-
§	F.P.	5.64	24½	24½	†Zicor Mining	24½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1996/97 High	Low	Stock	Closing price p	+or-
320	Nil	26/2	65pm	42½pm	Finelist Group	42½pm	-1

pm premium.

FT GOLD MINES INDEX

	Feb 21	% chg since 31/12/96	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (33)	1864.43	+2.2	51.42	100.00	1.78	-	2405.63	1674.61
Regional Indices								
Africa (14)	2247.22	+5.7	13.25	25.75	3.98	33.53	3252.18	1918.45
Australasia (7)	2107.55	-5.0	6.43	12.50	2.42	22.59	2861.03	1941.72
North America (12)	1727.56	+2.3	31.75	61.74	0.72	64.29	2134.81	1550.58

Copyright, FTSE International Limited 1997. All rights reserved. Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial.

UK GILTS PRICES

Notes	Price £	Wk% +/-	Amnt £m	Interest due	Last xd	City line
Shorts (Lives up to Five Years)						
Exch 10½pc 1997	100⅛xd	—	3,700	Ap21 Fe21	12.2	1253
Treas Cnv 7pc 1997‡‡	100⅛	—	1,988	Fe6 Au6	28.1	4491
Treas 8¾pc 1997‡‡	101⅜xd	—	5,550	Mr1 Se1	20.2	1341
Exch 15pc 1997	105⅝	-.1	880	Oc27 Oc27	17.10	1269
Exch 9¾pc 1998	103⅛	—	3,550	Jy19 Ja19	9.1	1273
Treas 7¼pc 1998‡‡	101⅛	0.1	8,150	Se30 Mr30	19.9	1788
Treas 15½pc '98‡‡	113⅞	-.1	835	Mr30 Se30	19.9	1306
Exch 12pc 1998	108	—	3,900	My20 Nv20	11.11	1259
Treas 9½pc 1999‡‡	105⅛	0.1	1,900	Jy15 Ja15	6.1	1347
Treas Flg Rate 1999‡‡	100⅛	—	5,700	MrJnSeDe	2.12	4945
Exch 12¼pc 1999	111⅛	0.1	3,050	Se26 Mr26	18.9	1264
Treas 10½pc 1999	108⅛	0.1	1,252	Nv19 My19	8.11	1268
Treas 6pc 1999‡‡	99⅛	0.2	5,950	Fe10 Au10	30.1	3635
Conversion 10¼pc 1999	108⅛	0.1	1,798	My22 Nv22	13.11	1242
Conv 9pc 2000‡‡	106⅛xd	0.1	5,358	Se3 Mr3	20.2	1244
Treas 13pc 2000	118⅝	—	3,171	Ja14 Jy14	3.1	1289
Treas 14pc 1998-1	108⅛	-.1	970	Nv22 My22	13.11	1306
Treas 8pc 2000‡‡	104⅛	0.1	9,800	Ja7 De7	28.11	4848
Treas Flg Rate 2001	100⅛	—	3,000	9DcJaApJy	7.1	-
Treas 10pc 2001	111⅛xd	—	4,406	Au26 Fe26	17.2	1280
Treas 7pc 2001‡‡	100⅞	0.1	12,750	My6 Nv6	28.10	3031
Five to Fifteen Years						
Treas 7pc 2002‡‡	100⅞	—	4,000	De7 Ja7	-	-
Treas 9¾pc 2002	112⅞xd	—	6,527	Fe27 Au27	18.2	1348
Treas 8pc 2003‡‡	105⅛	—	8,800	Ja10 De10	29.11	2010
Treas 10pc 2003	115½	-.1	2,503	Mr8 Se8	2.9	1281
Treas 11½pc 2001-4	116⅞	—	1,620	Se19 Mr19	10.9	1290
Funding 3½pc 1999-4	86⅞	0.5	543	Ja14 Jy14	3.1	1274
Conversion 9½pc 2004	114⅞	—	3,412	Oc25 Oc25	16.10	1246
Treas 6¾pc 2004‡‡	98⅞	-.1	6,500	My26 Nv26	15.11	3541
Conv 9½pc 2005	114⅝	-.1	4,842	Oc18 Ap18	9.10	1247
Treas 12½pc 2003-5	129	—	2,200	My21 Nv21	12.11	1295
Treas 8½pc 2005‡‡	109⅛	-.1	10,373	Ja7 De7	28.11	4846
Treas 7½pc 2006‡‡	102⅝	-.1	11,700	Ja7 De7	28.11	1148
Treas 7¾pc 2006‡‡	104⅛	-.1	4,000	Mr8 Se8	2.9	2300
Treas 8pc 2002-6‡‡	103⅞	-.1	2,050	Ap5 Oc5	26.9	1334
Treas 11¾pc 2003-7	122⅞xd	—	3,150	Jy22 Ja22	13.1	1299
Treas 8½pc 2007‡‡	109⅞	-.1	7,397	Ja16 Jy16	7.1	1339
Treas 7 1/4pc 2007‡‡	100⅞	-.1	2,500	-	-	-
Treas 9pc 2008‡‡	113⅞	-.2	5,621	Ap13 Oc13	3.10	1343
Treas 8pc 2009	105⅞	-.3	3,450	Mr25 Se25	16.9	1336
Treas 6 1/4pc 2010‡‡	90⅛	-.2	4,750	Mr25 Nv25	14.11	4632
Conv 9pc Ln 2011‡‡	114⅞	-.2	5,273	Jy12 Ja12	2.1	1245
Over Fifteen Years						
Treas 9pc 2012‡‡	115⅛	-.2	5,360	Fe6 Au6	28.1	1701
Treas 5½pc 2008-12‡‡	85⅛	-.1	1,000	Mr10 Se10	2.9	1330
Treas 8pc 2013‡‡	106⅛	-.2	6,100	Mr27 Se27	18.9	2229
Treas 7¾pc 2012-15‡‡	103⅞	-.3	800	Jy26 Ja26	16.1	1332
Treas 8pc 2015‡‡	106⅞	-.2	13,787	Ja7 De7	28.11	4092
Treas 8¾pc 2017‡‡	114⅞xd	-.2	7,550	Fe25 Au25	14.2	1982
Treas 8pc 2021‡‡	107⅛	-.2	9,000	Ja7 De7	28.11	-
Undated						
Consols 4pc	52⅞	-.6	359	Au1 Au1	24.1	1239
War Loan 3½pc‡‡	47⅛	-.5	1,909	Ja1 De1	18.11	1352
Conv 3½pc '61 Aft	64⅞	-.1	115	Oc1 Oc1	26.8	1243
Treas 3pc '66 Aft	39⅛	2.1	56	Ap5 Oc5	26.9	1324
Consols 2½pc	33⅞	0.4	276	5OcApJyOc	23.12	1238
Treas. 2½pc	33⅞	-.6	475	Ap1 Oc1	20.9	1315
Index-Linked (b)						
4⅝pc '98‡‡ (135.6)	114⅞	—	800	Ap27 Oc27	17.10	1753
2½pc '01 (78.3)	187⅜	-.1	2,150	Mr24 Se24	16.9	1316
2½pc '03 (78.8)	183⅞	-.2	2,500	My20 Nv20	11.11	1317
4⅜pc '04‡‡ (135.6)	119⅞	-.2	1,150	Ap21 Oc21	10.10	1255
2pc '06 (69.5)	195	-.2	2,350	Ja19 Jy19	8.1	1314
2½pc '09 (78.8)	175⅞	-.2	2,400	My20 Nv20	11.11	1318
2½pc '11 (74.6)	182⅞xd	-.2	2,850	Fe23 Au23	13.2	1319
2½pc '13 (89.2)	150⅛	-.3	3,400	Fe16 Au16	6.2	1320
2½pc '16 (81.6)	160⅛	-.3	3,400	Ja26 Jy26	18.1	1321
2½pc '20 (83.0)	153⅞	-.4	3,350	Ap16 Oc16	7.10	1322
2½pc '24‡‡ (97.7)	127⅛	-.5	3,400	Ja17 Jy17	8.1	1323
4⅛pc '30‡‡ (135.1)	125⅞xd	-.5	1,300	Ja16 Jy22	13.1	1134

(b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for June 1996: 153.0 and for January 1997: 154.4.

Other Fixed Interest

Notes	Price £	Wk% +/-	Amnt £m	Interest due	Last xd	City line
Asian Dev 10¼pc 2009	122⅞	—	100	Mr24 Se24	3/93	-
B'ham 11½pc 2012	132½	—	45	My15 Nv15	15.10	1837
Leeds 13½pc 2006	137½	—	40	Ap1 Oc1	8.9	3146
Liverpool 3½pc Irrd.	42	—	5	1ApJyOcJa	2.12	-
LCC 3pc '20 Aft	37xd	—	25	1MrJuSeDe	3.2	-
Manchester 11½pc 2007	127½	—	6	Ap25 Oc25	30.9	3275
Met. Wtr. 3pc 'B'	61xd	—	25	Mr1 Se1	3.2	3361
N'wide Anglia 3⅞pc 2021	147¾	—	60	Ja30 Jy30	16.12	3465
4⅛pc IL 2024	142⅞xd	—	50	Ap23 Fe23	13.1	-
Utd Mex States 16½pc 2008	135xd	—	50	Mr1 Se1	30.1	-

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

ENGINEERING - Cont.

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

HOUSEHOLD GOODS

INSURANCE

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PAPER, PACKAGING & PRINTING - Cont.

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind	g	£29½	5.4	Q545c	ф	May Oct	2.9	–
Barlow	¥	£9½xd	–1.4	Q105c	3.3	Jan Jul	9.12	–
Gold Flds Prop R	†	138	0.1	Q85c	1.5	Feb Sep	26.2	–
MK Props		65	—	Q63.5c	–	Mar Sep	9.95	–
SASOL	¥	645	—	Q78c	–	Oct	9.93	–
SA Brews		£19½xd	1.1	Q200c	ф	Jul Feb	2.12	4113
Standard Bank		£28¼	–1.7	Q284c	3.1	Sep Mar	–	–
Tiger Oats		780	—	Q132c	2.8	Jan Jul	10.6	–
Tongaat-Hulett		764½	0.1	Q136c	ф	Jan Jun	20.5	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ¥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- † Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment schemes.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1997. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Grosvenor Land, Hardy Underwriting, Netcall, Oxford Biomedica and Sutton Harbour (AIM). Deletions: First Russian C, TR Euro Gwth C and Throgmorton Prfd Inc (IvTs).

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT2625. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

FT Company Focus / Focus Plus

Comprehensive 10-18 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.
Company Focus (FT news) £8.45.
Focus Plus (FT and Investors Chronicle news) £10.95.
To order, call 0121 200 4678.
Reports published by ShareFinder Ltd.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 45p per minute cheap rate and 50p per minute at all other times.
An international service is available for callers outside the UK, annual subscription £250 stg.
Call 0171 873 4378 for more information on FT Cityline.
For readers phoning from outside UK, please dial +44 in place of the first 0.
The share prices printed on these pages are also available on the Internet at http://www.FT.com.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 45p/minute cheap rate and 50p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

	Init Charge	Notes	Selling Price	Buying Price	Yield Gr's	City-Line
Fidelity Currency Funds Ltd						
Pembroke Hall, Pembroke, Bermuda						
UK Prof Advisers 0800 414181						Jersey 01534 71696
Private Clients 0800 414161						00 352 250404230
From O'seas (44) 1732 777377						Hong Kong (852) 848 1000
A$ Accum			A$19.487		5.00	40987
ASch Accum			Sch250.63		2.00	47844
C$ Accum			C$18.838		1.90	40941
DM Accum			DM38.571		1.90	41228
DFl Accum			Dfl31.840		1.70	40859
ECU Accum			Ecu13.828		2.90	41230
FFr Accum			FFr67.828		2.19	41262
HK$ Accum			HK$122.95		4.30	41316
Lire Accum			L24135		6.30	41386
NZ$ Accum			NZ$40.883		6.40	41544
NKr Accum			NKr113.55		1.90	49046
S$ Accum			S$28.211		1.40	49050
SPta Accum			Pta2786.3		5.10	50124
£ Accum			£13.345		5.10	41548
SKr Accum			SKr122.39		3.00	49054
SFr Accum			SFr29.438		0.40	41558
US$ Accum			$23.883		4.40	41575
Yen Accum			Y3591.3		0.10	41582

Prices for dealing February 21

	Init Charge	Notes	Selling Price	Buying Price	Yield Gr's	City-Line
Jupiter Tyndall (Bermuda) Ltd						
PO Box HM1258, Hamilton, Bermuda						001 809 292 2760
Jupiter Tyndall World Umbrella Fund Ltd						
Eurobond			$16.23	17.06	3.21	45873
Money			$14.31	15.04	2.98	45872
Mortgage			C$24.65	25.89	7.05	45875
North American			$15.34	16.11	0.00	45871
Overseas			$17.76	18.65	0.00	45876
Tiger			$17.64	18.53	0.00	45877
UK Small Cos			£1.48	1.56	0.00	58188

	Init Charge	Notes	Selling Price	Buying Price	Yield Gr's	City-Line
Rothschild Asset Management (CI) Ltd						
PO Box 242, St Peter Port, Guernsey						01481 719700
Five Arrows Latin Am Dist		5	$17.22	18.33	0	44458
Five Arrows International Bond Funds						
FAIB £ Bond		3¼	£22.21	22.92	5.26	47945
FAIB US$ Bond		3¼	$33.59	34.73	5.09	47947
FAIB £ Global		3¼	£17.30	17.88	4.67	44946
FAIB US$ Global		3¼	$30.44	31.47	4.51	44958
Five Arrows International Reserves Ltd						
FAIRL £			£45.813		5.07	45864
FAIRL A$			A$50.537		4.84	45865
FAIRL C$			C$87.017		1.84	45866
FAIRL DFl			Dfl101.025		1.75	45867
FAIRL DKr			DKr401.72		2.42	45868
FAIRL DM			DM88.683		1.99	45869
FAIRL ECU			Ecu32.753		3.02	45870
FAIRL BFr			BFr2054.61		1.91	45871
FAIRL FM F			FM301.875		1.48	-
FAIRL FFr			FFr449.037		2.14	45672
FAIRL HK$			HK$183.92		4.21	45673
FAIRL Lire			L147304		8.48	45674
FAIRL NZ$			NZ$47.539		6.73	46781
FAIRL NKr F			NKr403.059		2.02	-
FAIRL S$			S$97.717		1.58	45675
FAIRL R F			R313.004		16.04	-
FAIRL Pta			Pta4599.19		5.38	46783
FAIRL SF			SF477.45		0.53	45676
FAIRL SKr			SKr264.95		3.01	46782
FAIRL U.S.$			$53.895		4.34	45677
FAIRL Yen			Y10114.08		0.00	45678
FAIRL Man £			£28.641		3.94	45679
FAIRL Man DM			DM67.16		1.43	45680
FAIRL Man $			$31.892		3.16	45681
FAIRL Man Int			$20.887		7.29	44984
Five Arrows Currency Fund Ltd						
FACFL £			£10.149		4.93	45683
FACFL A$			A$15.237		4.78	45684
FACFL C$			C$20.109		1.72	45685
FACFL DFl			Dfl50.258		1.67	45686
FACFL DKr			DKr151.14		2.41	45687
FACFL DM			DM40.236		1.91	45688
FACFL ECU			Ecu15.135		2.85	45689
FACFL BFr			BFr804.53		1.86	45690
FACFL FM F			FM70.405		1.80	-
FACFL FFr			FFr100.633		2.00	45691
FACFL HK$			HK$101.32		4.40	45692
FACFL Lire			L25572		6.40	45693
FACFL NZ$			NZ$25.584		6.11	46777
FACFL NKr F			NKr108.889		2.83	-
FACFL S$			S$30.177		1.80	45694

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 45p/minute cheap rate and 50p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 45p/minute cheap rate and 50p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

[illegible]

OTHER OFFSHORE FUNDS

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 21 / Sch)

BELGIUM/LUXEMBOURG (Feb 21 / Frs.)

CZECH REP (Feb 21 / Koruna)

DENMARK (Feb 21 / Kr)

FINLAND (Feb 21 / Mks)

FRANCE (Feb 21 / Frs.)

GERMANY (Feb 21 / Dm.)

GREECE (Feb 21 / Drachma)

ITALY (Feb 21 / Lire)

NETHERLANDS (Feb 21 / Fls.)

NORWAY (Feb 21 / Kroner)

POLAND (Feb 21 / Zloty)

PORTUGAL (Feb 21 / Escudo)

SPAIN (Feb 21 / Pts.)

SWEDEN (Feb 21 / Kronor)

SWITZERLAND (Feb 21 / Frs.)

TURKEY (Feb 21 / TL Lira)

PACIFIC

JAPAN (Feb 21 / Yen)

AUSTRALIA (Feb 21 / Aust$)

HONG KONG (Feb 21 / H.K.$)

INDONESIA (Feb 21 / Rupiah)

MALAYSIA (Feb 21 / MYR)

NEW ZEALAND (Feb 21 / NZ $)

SINGAPORE (Feb 21 / S$)

SOUTH KOREA (Feb 21 / Won)

TAIWAN (Feb 21 / TW $)

THAILAND (Feb 20 / Baht)

AFRICA

SOUTH AFRICA (Feb 21 / Rand)

NORTH AMERICA

CANADA

TORONTO (Feb 21 / Can $) 4 pm close

MONTREAL (Feb 21 / Can $) 4 pm close

Prices supplied by Telekurs, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

♣ FT Free Annual Reports Service
You can obtain the current annual reports of any companies on this page with a ♣ symbol. For North American companies you can either ring +1 804 320 8087, or fax your request to +1 804 320 8135 or order online at http://www.icbinc.com/cgi-bin/ft. For companies from ALL other countries ring 0181 770 0770 or fax your request to 0181 770 3822 (outside UK ring +44 181 770 0770 or fax your request to +44 181 770 3822).

INDICES

	Feb 21	Feb 20	Feb 19	1996/97 High		1996/97 Low	
Argentina							
General(29/12/77)	21105.59	20882.20	20777.80	21105.88	21/2/97	15287.20	22/8/96
Australia							
All Ordinaries(1/1/80)	2475.3	2476.3	2491.0	2501.70	18/2/97	2098.10	17/7/96
All Mining(1/1/80)	980.8	972.9	981.0	1118.40	8/5/96	903.80	13/12/96
Austria							
Credit Aktien(30/12/84)	402.22	403.28	403.35	405.00	12/2/97	348.19	6/9/96
Traded Index(2/1/91)	1209.53	1213.10	1213.75†	1213.75	19/2/97	975.27	2/1/96
Belgium							
BEL20(1/1/91)	2094.76	2103.33	2104.85	2111.91	18/2/97	1574.90	2/1/96
Brazil							
Bovespa(29/12/83)	87185.0	87018.0	87713.0	88502.80	18/2/97	43801.00	2/1/96
Canada							
Metals Minls♦(1975)	5613.74	5577.75	5591.00	6624.60	8/5/96	4687.47	16/1/96
Composite♦(1975)	6227.00	6205.10	6248.90	6248.90	19/2/97	4739.70	15/1/96
Portfolio§§(4/1/83)	3121.33	3101.53	3142.48	3142.48	19/2/97	2327.39	12/1/96
Chile							
IPSA Gen♥(31/12/80)	5370.46	5340.86	5345.62	5804.33	8/1/96	4868.17	18/12/96
Denmark							
CopenhagenSE(3/1/83)	547.79	549.92	549.22	549.92	20/2/97	368.40	2/1/96
Finland							
HEX General(28/12/90)	2873.00	2903.18	2860.51	2903.18	20/2/97	1851.67	10/1/96
France							
SBF 250(31/12/90)	1726.71	1733.86	1743.73	1762.30	17/2/97	1250.16	2/1/96
CAC 40(31/12/87)	2562.84	2575.24	2594.76	2634.48	17/2/97	1897.85	11/1/96
Germany							
FAZ Aktien(31/12/58)	1101.90	1102.52	1117.60	1128.16	18/2/97	818.56	2/1/96
Commerzbank(1/12/53)	3193.30	3198.80	3241.60	3275.60	18/2/97	2370.10	2/1/96
DAX‡(30/12/87)	3184.09	3198.03	3233.75	3276.16	18/2/97	2284.86	2/1/96
Greece							
Athens SE(31/12/80)	1332.93	1306.46	1284.81	1332.93	21/2/97	872.99	7/8/96
Hong Kong							
Hang Seng(31/7/64)	13444.85	13411.33	13106.32	13868.28	20/1/97	10204.90	2/1/96
India							
BSE Sens.(1979)	3439.49	3494.40	3528.44	4069.26	18/6/96	2745.06	4/12/96
Indonesia							
Jakarta Comp.(10/8/82)	696.49	698.66	694.98	707.36	13/2/97	512.46	2/1/96
Ireland							
ISEQ Overall(4/1/88)	3012.11	3012.37	3021.74	3021.74	19/2/97	2234.81	2/1/96
Italy							
Banca Comm. Ital(1972)	774.87	769.26	784.0	787.71	10/2/97	572.21	27/3/96
MIB General(2/1/97)	1163.0	1155.0	1147.0	1197.00	10/2/97	981.00	2/1/97
Japan							
Nikkei 225(16/5/49)	19034.54	18051.71	18589.12	22666.80	26/6/96	17303.70	10/1/97
Nikkei 300(1/10/82)	273.90	270.93	284.85	319.70	26/6/96	251.04	27/1/97
Topix(4/1/68)	1425.01	1411.66	1380.24	1722.13	26/6/96	1326.60	27/1/97
2nd Section(4/1/68)	1731.67	1730.23	1736.89	2251.48	2/7/96	1716.23	10/2/97
Malaysia							
KLSE Comp.(4/4/86)	1262.86	1266.22	1258.64	1266.22	20/2/97	993.16	2/1/96
Mexico							
IPC(Nov 1978)	(u)	3839.73	3875.04	3875.04	19/2/97	2736.36	8/3/96
Netherland							
CBS TtlRtnGen(End 83)	838.4	843.8	851.7	851.80	17/2/97	539.50	2/1/96
CBS All Shr(End 83)	492.0	495.3	499.9	500.00	17/2/97	326.70	2/1/96
New Zealand							
Cap. 40(1/7/86)	2301.53	2325.85	2329.35	2440.21	20/1/97	2025.14	7/6/96
Norway							
Oslo SE(Ind)(2/1/83)	1931.80	1941.49	1928.55	1941.49	20/2/97	1259.58	30/1/96
Philippines							
Manila Comp(2/1/85)	3301.98	3310.43	3316.34	3447.59	3/2/97	2578.97	2/1/96
Portugal							
BVL 30(4/1/93)	2592.37	2614.13	2620.36	2620.36	19/2/97	1602.81	2/1/96
Singapore							
SES All-S'pore(2/4/75)	568.18	569.81	568.62	610.37	5/2/96	503.78	21/10/96
South Africa							
JSE Gold(28/9/78)	1517.8♥	1470.9	1481.6	2030.40	29/5/96	1339.00	3/2/97
JSE Ind.(28/9/78)	8379.3♥	8391.7	8369.2	8739.30	25/1/96	7588.80	17/12/96
South Korea							
KoreaCapEx**(4/1/80)	688.72	711.13	713.57	986.84	7/5/96	611.85	7/1/97
Spain							
Madrid SE(30/12/85)	470.70	475.28	479.42	481.55	17/2/97	323.75	11/1/96
Sweden							
AffarsvaldsGen(1/2/37)	2675.9	2677.7	2701.8	2701.80	19/2/97	1708.60	22/1/96
Switzerland							
Swiss Bk Ind(31/12/58)	2174.13	2179.58	2177.57	2179.58	20/2/97	1516.19	17/1/96
SBC General(1/4/87)	1511.10	1513.55	1511.90	1613.55	20/2/97	1114.47	26/1/96
Taiwan							
WeightedPr.**(30/6/66)	7791.19	7678.04	7656.85	7791.19	21/2/97	4690.22	6/3/96
Thailand							
Bangkok SET(30/4/75)	(c)	747.70	731.74	1415.04	6/2/96	698.06	13/2/97
Turkey							
IMKB Nat 100(1986)	1615.00	1642.00	1614.00	1700.00	27/1/97	388.00	2/1/96
WORLD							
MS Capital Intl$(1/1/70)	845.5*	843.4	844.8	847.70	20/2/97	725.90	15/1/96
CROSS-BORDER							
Eurotrack 100(26/10/90)	2142.72	2148.05	2160.24	2172.87	18/2/97	1504.40	11/1/96
Euro Top-100(26/6/90)	1812.48	1818.71	1828.17	1828.43	17/2/97	1333.01	11/1/96
HSBC JC Drgn(31/12/88)	(u)	425.15	419.16	429.46	20/1/97	344.19	2/1/96
ING Bngs Emrg(7/1/92)	178.45	179.21	179.16	179.21	20/2/97	147.35	2/1/96

** Sat Feb 15: Taiwan Weighted Price 7598.93; Korea Comp Ex 722.32. Base values of all indices are 100 except: Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp/Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; IMKB Nat 100 - 1; NYSE All Common – 50; Standard & Poor's – 10 and Amex Comp - 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours index: Feb 21 - 3203.79 +8.70 † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x index)							
Feb	2558.0	2577.0	–5.0	2585.0	2555.0	17,584	23,597
Mar	2565.0	2583.5	–5.5	2586.0	2582.5	4,779	24,264
DAX							
Mar	3175.0	3214.5	+9.0	3216.0	3171.0	23,627	–
Jun	3191.0	3229.0	+7.5	3227.5	3191.0	509	–
OMX							
Feb	2070.60	2089.00	+3.00	2090.00	2070.60	2,225	15,951
Mar	2079.00	2094.00	+3.75	2094.00	2077.00	851	13,211
SOFFEX							
Feb	4517.5	4507.5	–20.1	4521.0	4506.0	2,499	14,220
Mar	4526.4	4527.5	–7.5	4532.0	4488.0	6,512	19,950

US INDICES

Dow Jones	Feb 21	Feb 20	Feb 19	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Industrials	6931.62	6927.38	7020.13	7067.46 (18/2/97)	5032.94 (10/1/96)	7067.46 (18/2/97)	41.22 (8/7/32)
Home Bonds	103.51	103.55	103.62	106.09 (14/2/96)	100.99 (15/7/96)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2353.69	2340.44	2348.76	2383.24 (13/2/97)	1882.71 (18/1/96)	2383.24 (13/2/97)	13.23 (8/7/32)
Utilities	229.74	229.88	230.85	240.85 (23/1/97)	204.86 (30/7/96)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6984.72 (7035.91) Low 6869.27 (6890.82) (Theoretical♠)
Day's high 6960.86 (7017.82) Low 6906.22 (6905.83) (Actual♠)

Standard and Poors	Feb 21	Feb 20	Feb 19	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Composite‡	801.77	802.80	812.49	816.29 (18/2/97)	598.48 (10/1/96)	816.29 (18/2/97)	4.40 (1/6/32)
Industrials♥	935.11	936.59	948.74	950.96 (18/2/97)	702.07 (15/1/96)	950.96 (18/2/97)	3.52 (30/6/32)
Financial	93.79	93.83	95.80	98.31 (18/2/97)	58.67 (10/1/96)	98.31 (18/2/97)	7.13 (4/9/74)
NYSE Comp.	421.01	421.09	425.57	427.87 (18/2/97)	321.41 (10/1/96)	427.87 (18/2/97)	4.64 (25/4/42)
Amex Comp.	597.29	597.43	598.15	617.81 (22/5/96)	524.20 (16/7/96)	617.81 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1334.30	1347.41	1365.58	1389.06 (22/1/97)	988.57 (15/1/96)	1389.06 (22/1/97)	54.87 (3/10/74)

RATIOS

	Feb 14	Feb 7	Jan 31	Year ago
Dow Jones Ind. Div. Yield	1.82	1.85	1.86	2.16
	Feb 19	Feb 12	Feb 5	Year ago
S & P Ind. Div. yield	1.72	1.73	1.78	1.88
S & P Ind. P/E ratio	22.84	24.83	24.09	19.90

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Mercury Fin	9,876,400	2⅝	+⅝
Pepsico	8,607,800	34⅛	+1
US Rentals	6,735,000	20¼	+⅝
IBM	6,302,700	137½	-3⅞
K-Mart	5,203,000	11⅛	+½
Compaq	4,604,400	79¾	-2¾
Wal-Mart	4,135,700	24⅛	+¼
Coca Cola	4,073,200	62	+⅜
Hewlett-Pk	3,799,400	55⅝	-⅜
Cadence Deg	3,413,100	36¾	+¼

TRADING ACTIVITY

● Volume (million)

	Feb 21	Feb 20	Feb 19
New York SE	459.936	482.791	513.596
Amex	20.678	21.684	18.680
NASDAQ	(u)	624.961	630.218
NYSE			
Issues Traded	3,343	3,343	3,354
Rises	1,319	847	1,272
Falls	1,171	1,687	1,293
Unchanged	853	809	789
New Highs	111	141	270
New Lows	21	26	31

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Mar	803.85	804.45	+0.10	807.40	801.60	80,398	183,091
Jun	812.00	811.95	+0.10	814.80	809.60	2,715	14,208
Nikkei 225							
Mar	19100.0	19030.0	–40.0	19180.0	18970.0	30,607	211,281
Jun	19040.0	18960.0	–70.0	19140.0	18940.0	11,269	69,874

Open interest figures for previous day.

TOKYO - MOST ACTIVE STOCKS: Friday, February 21, 1997

	Stocks Traded	Closing Prices	Change on day
Sakura Bank	18.2m	791	+41
Bk Tk-Mitsubishi	13.7m	2040	+80
Fuji Bank	11.1m	1490	+120
Sumitomo Bank	10.3m	1580	+110
Sanwa Bank	10.0m	1570	+170
NKK Corp	9.3m	271	+8
Daiichi Kangyo B	8.0m	1460	+110
Nippon Steel Cp	7.9m	335	-5
Mitsubishi Hvy	7.1m	917	+10
Fuji Heavy Inds	7.1m	578	+3

4pm close Feb 21 (A)

NEW YORK STOCK EXCHANGE PRICES

1996/97 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
32	24⅞	AAR x	0.48	1.8	22	249	26⅜	26⅜	26⅜	
40⅛	33	AMP x	1.04	2.6	29	2279	39¼	39¼	39¼	
87½	66	AMR			6	3244	82⅞	82⅞	82⅞	+1⅛
50½	33¼	ASA x	1.20	3.3	24	1128	36⅜	36⅜	36⅜	-⅞
60⅞	38⅛	AbbtL	0.96	1.7	23	5545	57½	57½	57½	-½
17½	12⅛	AbtIbM Pr	0.40	2.4	8	2643	16⅞	16⅞	16⅞	
20¼	13½	ABM Ind	0.40	2.1	17	43	18⅝	18⅝	18⅝	-¼
22½	13⅞	Acpincein			10	16	20⅞	20⅞	20⅞	+⅛
64	37¾	ACE Ltd	0.72	1.1	10	1541	u64⅝	64⅝	64⅝	+1¼
10½	9⅛	ACM Gvt In x	0.90	8.6	11	203	u10½	10½	10½	
7⅞	6⅝	ACM GvOpp x	0.63	8.4		32	7½	7½	7½	
9⅞	8⅞	ACM Man x	0.90	9.2		48	9¾	9¾	9¾	+⅛
13⅞	6⅛	Acme Elect				66	6¾	6¾	6¾	-⅛
21⅝	13⅞	Acme Mills			72	16	16¾	16¾	16¾	+⅛
33¾	27¼	Acordia x	0.80	2.6	15	131	30⅜	30⅜	30⅜	-⅜
28¾	12	Acuson				1045	27½	27½	27½	-1
21⅛	17⅞	Adams Expr x	0.55	2.6	1	152	20⅞	20⅞	20⅞	+⅛
36¾	10¼	AdvMic				12508	34¾	34¾	34¾	-1⅝
15	8½	Advest Grp			10	48	14⅛	14⅛	14⅛	-⅛
26⅛	9⅛	Advo Inc			30	53	13	13	13	-⅛
66¼	41⅛	Aegon	1.18	1.8	19	10	65¾	65¾	65¾	+¼
6¾	3½	Aerflx				32	4¼	4¼	4¼	
67⅝	40⅛	AES Corp				20	66¼	66¼	66¼	-1⅞
89	57⅞	Aetna	0.80	0.9	62	1716	85	85	85	+⅛
44	28¼	Aflac x	0.40	1.0	15	459	41⅛	41⅛	41⅛	-½
22	17⅛	AGL Res x	1.08	5.5	14	642	19⅝	19⅝	19⅝	+⅛
45⅛	21¼	Ahmanson x	0.88	2.1	45	9562	41⅛	41⅛	41⅛	-1
[illegible]										

Continued on next page

NYSE PRICES

4pm close Feb 21 (A)

Continued from previous page

- X - Y - Z -

52 Week High	Low	Stock	Div.	Yld %	P/E	Sls 100s	High	Low	Close Price	Chng Prev. Close
61	39¾	Xerox	1.28	2.3	16	10144	56⅞	55⅞	56⅞	-⅛
47⅞	39¾	Xtra Corp x	0.80	2.0	16	62	41	41	41	-1
25¾	20⅝	Yankee Egy	1.30	5.5	13	124	23¾	23¾	23¾	
57	43¼	York Int	0.36	0.8	12	1631	43¾	43¾	43¾	-⅛
5	3	Zapata				26	4⅝	4⅝	4⅝	
25¾	5⅞	ZenithEl				301	10⅝	10⅝	10⅝	-⅛
28⅞	21⅛	Zenith Nat	1.00	3.8	12	60	26⅝	26⅝	26⅝	
7⅞	6½	Zenix Inc x	0.73	9.9		259	u7⅞	7⅞	7⅞	
23¾	15⅛	Zero x	0.12	0.5	18	46	23	23	23	-⅜
29	18½	Zurn Ind	0.40	1.6	15	57	24⅞	24⅞	24⅞	-¼
11⅜	10½	ZweigFd♣	1.12	10.1		z0	11⅛	11⅛	11⅛	-⅛
9	8	Zweig Totl x	0.84	10.0		313	8⅜	8⅜	8⅜	-⅛

Price data supplied by Exsel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended. (A) Owing to technical problems, some NYSE prices in today's FT are composite prices; and some AMEX prices may be pre-close. Day highs & lows were unavailable for these exchanges.

♣ FT Free Annual Reports Service

You can obtain the current annual reports and if available quarterly reports of any companies on the US exchanges with a ♣ symbol. To order reports ring (International Access) 1-804-320-8097 or give the names of the companies whose reports you want and fax your request to (International Access) 1-804-320-8135. Reports will be sent the next working day, subject to availability. You can also order online at http://www.icbinc.com/cgi-bin/ft.

NASDAQ NATIONAL MARKET

4 pm close February 21

- J -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
J&J Snack		22	122	13⅛	12¾	12¾	-⅜
Jason Inc		15	8	6⅞	6½	6½	
Johnson W			27	12¾	12¼	12¼	-½
Jones Int			557	11	10¾	10⅞	+⅛
Jones Med	0.08	54	3971	35¾	35¼	35½	+¼
JSB Fin	1.40	15	466	u41¼	40	40	+⅜
Juno Ltg	0.32	15	35	16⅞	16½	16¾	+⅛
Justin	0.16	13	127	12	11¾	12	+⅛

- K -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
K Swiss	0.08	94	3	10⅜	10⅜	10⅜	
Kaman Cp	0.44	12	202	13¾	13⅜	13⅝	+¼
Kelly Sv	0.84	14	443	28⅞	28	28½	
Kimball	1.04	15	432	41¼	39[illegible]	40⅛	-⅜
KLA Instr		20	18367	44	42⅛	42¾	-1⅜
Koll A			837	[illegible]	[illegible]	[illegible]	

- V -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Valmont♣	0.40	28	61	44¼	43½	43½	-⅞
Vngrd Cell		93	797	15⅛	14⅞	15	-⅛
Varlen	0.36	6	116	19⅛	18¾	18⅞	
Ventritex			1371	21¾	20	21	+⅝
Vicor		27	389	17	16⅝	16⅝	-[illegible]
VicorpRst			105	12⅛	11⅝	11⅝	-½
Viewlogic		23	1834	15½	15¼	15½	
VLSI Tech		38	14165	18½	17½	18	
Volvo B	0.50		3144	24.77	24⅞	24⅝	+½

- W -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Wang Lab			2309	22⅛	21¾	21¾	
Warmtech		32	161	11¼	10⅞	10⅞	-⅜
WashMut	1.00	16	17189	58⅞	56⅝	58¾	-2⅛
WatsindA	0.31		305	u25⅝	25½	25⅝	
Wausau PM	0.25	15	3612	19[illegible]	19¼	19¼	-½
WD-40	2.48	19	45	52¼	51½	52¼	+¾
Werner Es	0.10	16	684	18	17½	17¾	-¼
Wstam Bnc	1.04	16	163	66¼	65	65½	-½
WstpStA		16	646	30¼	30	30¼	+¼
Wst SealA		19	587	20⅝	19¾	20⅛	+⅜
Wmette x	1.28	18	z0	63½	63½	63½	
WmsSonoma		150	3415	27⅞	26⅞	27⅛	-⅝
Wolohan L	0.28	16	6	14⅞	14¾	14⅞	+⅝
Wrldcm		23	345991	26½	26⅛	26⅜	+⅛
Worthlnds	0.48	22	1909	21	20½	20⅞	+⅛
WPP ADR	0.19	22	210	40¾	40⅛	40¾	-⅛
Wyman-Gdn	0.40	24	1443	19¼	18¾	18⅞	-¼

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx♣		25	18306	45⅝	42¾	43⅜	-2¼
Xircom		45	1448	25⅞	25	25⅜	-¼
Xoma Corp			5824	7[illegible]	6⅝	6[illegible]	-⅛
Yellow			338	16½	16¼	16¼	
York Rsch		19	168	9⅝	9[illegible]	9⅝	+⅛
ZionsUtah	1.76	18	312	129½	126½	129½	+3

AMEX PRICES

4pm close Feb 21 (A)

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Hasbro	0.40	16	896	42⅜	42⅜	42⅜	
Health Ch			17	1	1	1	+[illegible]
Heico	0.10	39	6	24½	24½	24½	+½
HmstMl			43	17⅝	17⅝	17⅝	-⅛
HovnanianA		9	15	6⅞	6⅞	6⅞	+⅛
InstronCp	0.16	18	31	12¾	12¾	12¾	
Int. Comm			296	6⅜	6⅜	6⅜	+⅛
Interrog♣		32	81	11½	11½	11½	+⅛
Ivax			2038	12⅛	12⅛	12⅛	+½
Jan Bell			z100	2	2	2	-[illegible]
JTS Corp		7	414	2[illegible]	2[illegible]	2[illegible]	-[illegible]
Kinark Cp		26	20	3½	3½	3½	
KogrEq	0.20	25	101	18⅜	18⅜	18⅜	
Laberge	0.06	30	20	7	7	7	+[illegible]
Lynch Cp		19	17	100	100	100	+2
Maxxam		19	22	47⅝	47⅝	47⅝	
Media A	0.52	11	136	30⅝	30⅝	30⅝	-⅛
Mitromedia			525	10⅛	10⅛	10⅛	
MilwLd			35	7⅞	7⅞	7⅞	
Moog A		15	102	24⅜	24⅜	24⅜	
MSR Expl			66	[illegible]	[illegible]	[illegible]	-[illegible]
NatPatDev		4	124	7[illegible]	7[illegible]	7[illegible]	+[illegible]
NY TmA	0.50	22	2155	43¾	[illegible]	[illegible]	[illegible]
NVR		7	182	13¼	[illegible]	[illegible]	[illegible]
Pegasus G		84	3417	8[illegible]	[illegible]	[illegible]	[illegible]
Perini		4	9	8½	[illegible]	[illegible]	[illegible]
PMC	1.20	12	9	14⅛	[illegible]	[illegible]	[illegible]
RaganBrad			z0	29	[illegible]	[illegible]	[illegible]
SJW Corp x	2.28	23	37	51½	[illegible]	[illegible]	[illegible]
Tab Prods x	0.20	14	10	9⅜	[illegible]	[illegible]	[illegible]
Tel&Data	0.40	37	774	37¾	[illegible]	[illegible]	[illegible]
Thermedics		32	918	20¾	[illegible]	[illegible]	[illegible]
Thermoins		30	176	34¾	[illegible]	[illegible]	[illegible]
TotlPNA	0.30	144	11	10⅛	[illegible]	[illegible]	[illegible]
TownCntry		0	20	[illegible]	[illegible]	[illegible]	[illegible]
Triton Gp			262	u⅞	⅞	⅞	+[illegible]
Tubos Mex			346	16⅝	16⅝	16⅝	-¼
UtdFoodsA		21	z100	1¾	1¾	1¾	+[illegible]
UtdFoodsB			51	1¾	1¾	1¾	
US Cellul		18	2564	27¾	27¾	27¾	+⅛
ViacomA		88	261	34⅝	34⅝	34⅝	-¼
ViacomB		85	4082	34⅞	34⅞	34⅞	-1
WRET	1.12	19	z0	12⅞	12⅞	12⅞	
Xytronix			385	1¼	1¼	1¼	+⅛

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
Activcard	US$8.125		64520	8.5	8	Innogenetics	US$11.375		27320	12.875	10.125
Artwork Systems	US$10.75	-0.125	51300	11.375	9.375	Mercer Internl.	US$10.375	-0.125	0	11.375	10.375
Dr Solomon's ADS	US$25.25	-0.625	1650	26.125	16.625	Photech	US$6	-0.125	1000	6.25	4.75

Prices for 21/2/97.

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 515 3085).

FT GUIDE TO THE WEEK

MONDAY 24

Arafat dinner date

Yassir Arafat, the Palestinian leader, is to dine with EU foreign ministers in Brussels to celebrate the signing of an association agreement between the EU and the Palestinian authority. Earlier, ministers will have talks on the Euro-Mediterranean conference to be held in Malta in mid-April; the political crisis in Albania; efforts to reach a new trade pact with South Africa; and the humanitarian disaster in the Great Lakes region in Africa. They will also renew negotiations in the Maastricht treaty review conference (IGC).

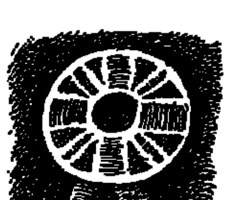
Kohl consults SPD on tax

Helmut Kohl, the German chancellor, and his coalition partners meet the *opposition Social Democratic Party* (SPD), led by Oskar Lafontaine, in the hope of agreeing on wide-ranging tax reforms. The package needs the approval of the opposition-dominated upper house of parliament. Although a deal is unlikely initially, the occasion tests both parties' commitment to structural change. The SPD wants cuts from 1998 – a year earlier than Mr Kohl. However, *there is some* consensus over reductions for lower and middle income earners.

Albright in Beijing

Madeleine Albright, the US secretary of state, starts her first official visit to Beijing in spite of the death of China's paramount leader, Deng Xiaoping. Mrs Albright is to meet Qian Qichen, her Chinese counterpart, and other senior officials to pave the way for a possible visit by US President Bill Clinton within the year. The countries disagree over human rights, trade issues, Taiwan and arms proliferation, but relations have warmed rapidly of late.

Tuned up for awards



The British music industry converges on London's Earls Court for the annual Brit Awards. Last year's show will be hard to beat after Jarvis Cocker, the lead singer of Pulp, protested at Michael Jackson's performance by going onstage and dropping his trousers and underpants. *Spice Girls have been nominated in* five categories. Among foreign artists, Robert Miles and Joan Osborne have are nominated for two awards each.

Public holidays

Brunei, Estonia, Guyana.

TUESDAY 25

Funeral of Deng Xiaoping

China will honour Deng Xiaoping with *a gathering of 10,000 mourners in* Beijing's Great Hall of the People. His body will not lie in state but will be cremated and the ashes scattered at sea. Whistles on trains, warships and factories will be blown for three minutes across the nation for the veteran of the Long March – and field commander in the war against Japan – whose pioneering of market reforms spurred two decades of extraordinary growth. The austere funeral is in keeping with Deng's rejection of a personality cult – unlike Mao Zedong whose remains are on permanent display.

Slow march: Soldiers practising for the funeral tomorrow of Deng Xiaoping carry a glass coffin at Beijing's Babaoshan cemetery Picture: AP

Open day for Nazi gold

Switzerland, intent on repairing its international image, hosts an information day concerning looted Nazi gold and the unclaimed assets of victims of the holocaust. Journalists from the US and Israel, as well as Switzerland, will be briefed at the Federal Archives in Berne by Professor Jean-François Bergier, the chairman of the *recently established commission* of international historians looking into Switzerland's war-time record. Other commission members will contribute.

WTO disputes proliferate

No fewer than 10 separate trade disputes are on the agenda of the dispute settlement body of the World Trade Organisation *in Geneva. Among* the more important are a US request for a panel to rule on its complaint against the EU's tariff regime for grains, and panel requests by Malaysia, *Thailand and Pakistan relating to a US* ban on imports of shrimps fished in ways that kill turtles. Two panel decisions on clothing imports from Costa Rica and India that went against *Washington are also due for adoption.*

Censure debate in Turkey

Turkey's parliament debates a censure motion brought by two leftwing parties against the Islamist-led coalition of Necmettin Erbakan. Although a government majority is expected, corruption scandals, economic difficulties and growing confrontation between Islamist ministers and the secular elite are eroding the government's support. However, opposition parties have failed to unite to bring it down. On Wednesday, parliament debates a second censure motion – by the conservative opposition Motherland party.

Israeli president in UK

Ezer Weizman, Israel's president, arrives in London for the first official visit by an Israeli head-of-state to the UK (to Feb 27). He will stay at Buckingham Palace. Mr Weizman will meet John Major, the prime minister, Tony Blair, the opposition leader, and heads of Britain's Jewish community. The Israeli president, who graduated from the Royal Air Force as a fighter pilot in 1944 and became commander of the Israeli Air Force in 1958, will also meet RAF pilots and senior officers.

FT Survey

Burgundy.

Public holiday

Kuwait.

WEDNESDAY 26

Fed reports to Congress

Alan Greenspan, the chairman of the *US Federal Reserve, gives his* semi-annual account to Congress of the Fed's view of the economy. The Humphrey-Hawkins testimony will be watched closely for clues as to whether the US central bank believes the current expansion, entering its seventh year, is set to continue at its moderate pace with very low inflation. Mr Greenspan can also be expected to elaborate on his views on the surging stock market following his remarks in December about the risks of "irrational exuberance".

Archbishop in the dock

An Italian archbishop, Salvatore Cassisa, faces charges of corruption, extortion and attempting to defraud the EU. The archbishop *will go on trial in Palermo, Sicily,* accused over bribes allegedly paid for a contract to renovate a cathedral. He is also charged with fraud for allegedly overstating the size of the church's vineyards *in applying for an EU* agricultural grant. The archbishop denies the charges.

Action on child labour

An international conference on child labour begins in Amsterdam, hosted by the Dutch government with the International Labour Organisation (to Feb *27). It aims to raise awareness of the* most harmful forms of child labour – slavery, debt bondage, child prostitution and dangerous work – and stimulate rapid action to eradicate *them. Participants* will include working children from several countries. The ILO is preparing a new convention on abolishing the most exploitative forms of child labour – but this will not be ready for formal adoption until 1999.

Chilean president in US

Eduardo Frei, the Chilean president, begins a two-day official visit to Washington during which he will meet President Bill Clinton and Madeleine Albright, the secretary of state. Mr Frei will give the US Congress his view of the future "free trade zone of the Americas" announced at the Miami Summmit of the Americas in 1994. Chile's entry to the North American Free Trade Agreement (Nafta), also announced at Miami in 1994, has not progressed.

THURSDAY 27

By-election in UK

The British government will cede its overall majority in the House of *Commons if, as expected,* it loses a by-election in Wirral South. The Conservatives, who are defending a majority of 8,000, appear to be heading for a bad defeat at the hands of the *Labour party. However, if it is* anything less than disastrous, the government will claim the poll is a turning point. A good result for the Conservatives could even prompt John Major, the prime minister, to bring forward the general election from his preferred date of May 1.

Trying to beat drugs rap

The US assesses whether other countries are co-operating enough against drugs trafficking. Last year, it "decertified" Colombia – and ruled, as previously, that Afghanistan, Burma, Iran, Nigeria and Syria were not co-operating. This year, some Caribbean countries may be decertified – leading to a loss of US aid, US opposition to multilateral loans and possible US trade sanctions. In Colombia, with Congress rushing through readings of a law to increase trafficking sentences, an agreement suddenly signed allowing the US to search ships flying the Colombian flag, and an asset confiscation law passed, recertification might just be achieved.

FRIDAY 28

Asian investment in EU

The rise of direct investment in Europe by *Asian developing countries is* documented in a report published by the United Nations Conference on Trade and Development. Foreign direct investment by South Korea in Europe rose from \$144m (£88.8m) in 1992 to \$611m in 1995, Britain being the most favoured location.

Black investors take JCI

A consortium of black South Africans is to buy Anglo American's controlling stake in JCI, the mining house. The deal, which was brokered by Mzi Khumalo, the chairman of financial services group Capital Alliance and a former political prisoner, will create South Africa's first black-controlled mining house.

Bids for Zambian copper

N M Rothschild, *the investment bank,* opens bids from multinational mining groups seeking a stake in Zambia Consolidated Copper Mines, the backbone of the Zambian economy, in the long-awaited privatisation *of its* mining and copper assets. Thirty-seven multinationals pre-qualified.

Cricket

First test, Johannesburg: South Africa v Australia (to Mar 4); Kingston: Jamaica v India (to Mar 3).

FT Surveys

Sheffield; European Stock Exchanges.

Public holiday

Kuwait.

SATURDAY 1

Saleroom

Movie posters have been one of the fastest appreciating collectors fields in recent years, and in New York Sotheby's is disposing of part of the collection of one of the leading dealers in the market, Todd Feiertag. In the late 1960s, he was paying less than \$5 for a poster. A poster advertising the Boris Karloff movie, *The Mummy* – one of only two known to have survived – is on offer with an upper estimate of \$100,000.

Rugby Union

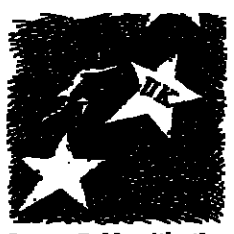
Five nations championship: England v France, Twickenham; Scotland v Ireland, Murrayfield.

Public holidays

Korea, Paraguay.

SUNDAY 2

Referendum platform



The UK Referendum party holds its London rally at the Queen Elizabeth centre in Westminster. On the platform will be Sir James Goldsmith, the party's leader, and prospective parliamentary candidates of London constituencies, including Sir Alan Walters, *former* economic adviser to Margaret Thatcher.

Compiled by Simon Strong.
Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Monday: Key German inflation data this week will show whether producer price and consumer price inflation eased or strengthened at the beginning of this year.

Tuesday: US consumer confidence is forecast to have risen this month. Economists think Canadian producer prices fell last month.

Wednesday: In his Humphrey-Hawkins testimony, which begins today, Mr Alan Greenspan, chairman of the Federal Reserve, will give his assessment of the US economy. The UK's trade gap is expected to have widened slightly in December.

Thursday: Japanese industrial production is forecast to have strengthened last month. But Japanese retail sales are expected to have fallen. US durable goods orders are forecast to have recovered in January after December's decline.

Friday: Italian GDP is forecast to have grown modestly in the fourth quarter of last year. The Japanese unemployment rate is expected to have remained unchanged between December and January. Japanese housing starts are predicted to have fallen in January.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	Jan supermarket sales**		-0.4%
Feb 24	Japan	Jan department store sales**		-1.0%
	H' Kong	Jan consumer price index (A)		6.7%
	US	Jan treasury budget	\$16.8bn	\$19.4bn
Tues	Taiwan	Jan export orders	2.0%	4.1%
Feb 25	Taiwan	Jan industrial output		6.11%
	France	Dec trade balance	FFr10bn	FFr9.5bn
	France	Jan consumer price index final*	0.3%	0.2%
	France	Jan consumer price index final**	1.8%	1.7%
	US	Feb consumer confidence	115.8	116.8
	US	Jan export price index		Unch
	US	*Jan import price index*		0.1%
	Japan	Feb trade balance (1st 10 days) not†		Y190bn
Wed	France	Jan household consumption	0.2%	-0.8%
Feb 26	UK	Dec global visible trade	-£1.1bn	-£959m
	UK	Jan ex-EU visible trade	-£700m	-£844m
	Brazil	Feb CPI (FIPE 3rd prev)		0.24%
Thurs	Japan	Jan industrial production†	4.9%	0.1%
Feb 27	*Japan*	*Jan shipments†*		*0.2%*
	Japan	Jan retail sales**	-0.7%	-2.1%
	US	Jan durable orders	1.0%	-1.7%
	US	Jan durable shipments		-0.8%
	US	M1 – week ended Feb 17		-\$5.6bn
	US	M2 – week ended Feb 17		-\$0.5bn
	US	M3 – week ended Feb 17		\$10.5bn
Fri	Japan	Jan unemployment rate	3.3%	3.3%
Feb 28	Japan	Jan job offers/seekers ratio	0.78	0.76
	Korea	Feb consumer price index**		4.7%
	Korea	Feb producer price index**		3.6%
	Korea	Feb exports, customs-cleared**		-8.2%
	Korea	Feb imports, customs-cleared**		4.4%
	France	Jan unemployment rate	12.7%	12.7%
	France	Jan jobseekers*	0.4%	-0.3%
	H' Kong	Dec retail sales (real)		3.0%
	US	Q4 GDP preliminary	4.4%	4.7%
	US	Q4 GDP deflator preliminary	1.8%	1.8%
	Canada	Q4 *real* GDP***	4.0%	3.3%
	Canada	Q4 consumption***	4.9%	1.3%
	Canada	Q4 GDP deflator***	1.8%	2.8%
	Canada	Q4 current account	-C\$3.0bn	C\$2.2bn
	US	Jan existing home sales	3.90m	3.87m
	US	Feb agriculture prices		-1.8%
During the week...				
	Germany	*Jan import prices**	*0.5%*	*0.8%*
	Germany	Jan import prices**	2.0%	2.0%
	Germany	Jan producer price index*	0.2%	0.0%
	Germany	Jan producer price index**	0.6%	-0.3%
	Switzlnd	Feb federal consumer price index*	0.2%	0.3%
	Switzlnd	Feb federal consumer price index**	0.8%	0.8%

*month on month, **yr on yr ***qtr on qtr †seasonally adjusted *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD

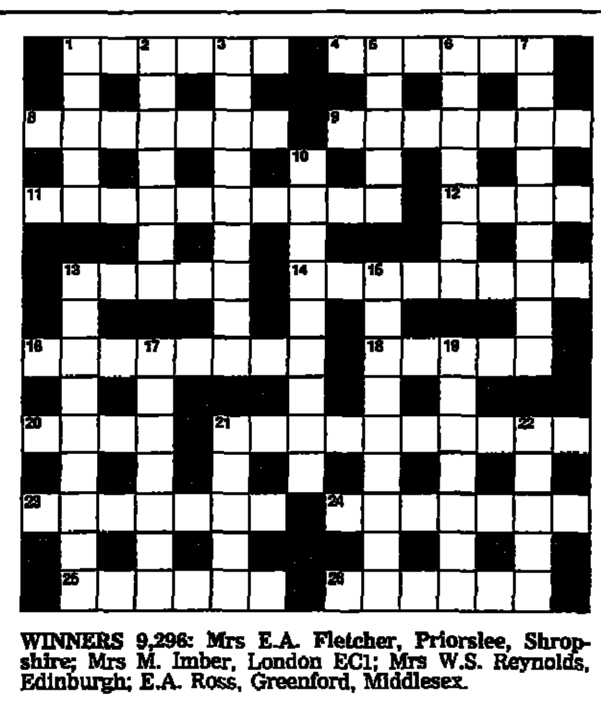
No.9,308 Set by DANTE

ACROSS

1 Encourages good health (6)
4 Agent works without end (6)
8 *I hold out, yes, for* what every worker is entitled to (7)
9 Policeman with debts in abundance (7)
11 Limited form of credit given after period of unemployment (10)
12 Some darts pro cheats, by overstepping this line? (4)
13 Gang leader about – at large (5)
14 A host of local supporters (8)
16 Party with French beard and pigtail, say (8)
18 Officially allowed to rum (5)
20 When upset, Eddy changed colour (4)
21 Likely to appeal after being shot (10)
23 Request treatment of colitis (7)
24 *I'd back a face-saver, but it* reduces dividends (7)
25 Lets out American imprisoned in brawl (6)
26 Means business (6)

DOWN

1 Elected to write article in French (5)
2 Letter that is spelt badly (7)
3 *Article is made true to life* (9)
5 Not in a whisper – permitted to be heard (5)
6 Oil change needed after journey in N.Africa (7)
7 Preliminary version using coarse actors (9)
10 A plain fellow treated like a doormat (7,2)
13 "Saucy Sal", perhaps (5,4)
15 Account that's due showing effect of inflation (9)
17 They have evil ends in films (7)
19 Such culture was in grace conceived (7)
21 A number after a new hip flask (5)
22 Green and gold seen in a plant (5)



WINNERS 9,296: Mrs E.A. Fletcher, Priorslee, Shropshire; Mrs M. Imber, London EC1; Mrs W.S. Reynolds, Edinburgh; E.A. Ross, Greenford, Middlesex.

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday March 6, marked Monday Crossword 9,308 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday March 10. Please allow 28 days for delivery of prizes.

Name...

Address...

....

Solution 9,296

```
SEWNUP FEASIBLE
C A P    L Y E N
ONRUSH GOODSHOW
T R T    P N E R
LLAMAS DEMERARA
A N R BED Y D P
NOTATE A O
D Y SENDOFF I A
    L E FLAMBE
T N N AND A P S
ICEBOUND IMPORT
F V T N   I L H
FLATIRON ENDIVE
I D O Y   G T T
NEATNESS POPEYE
```